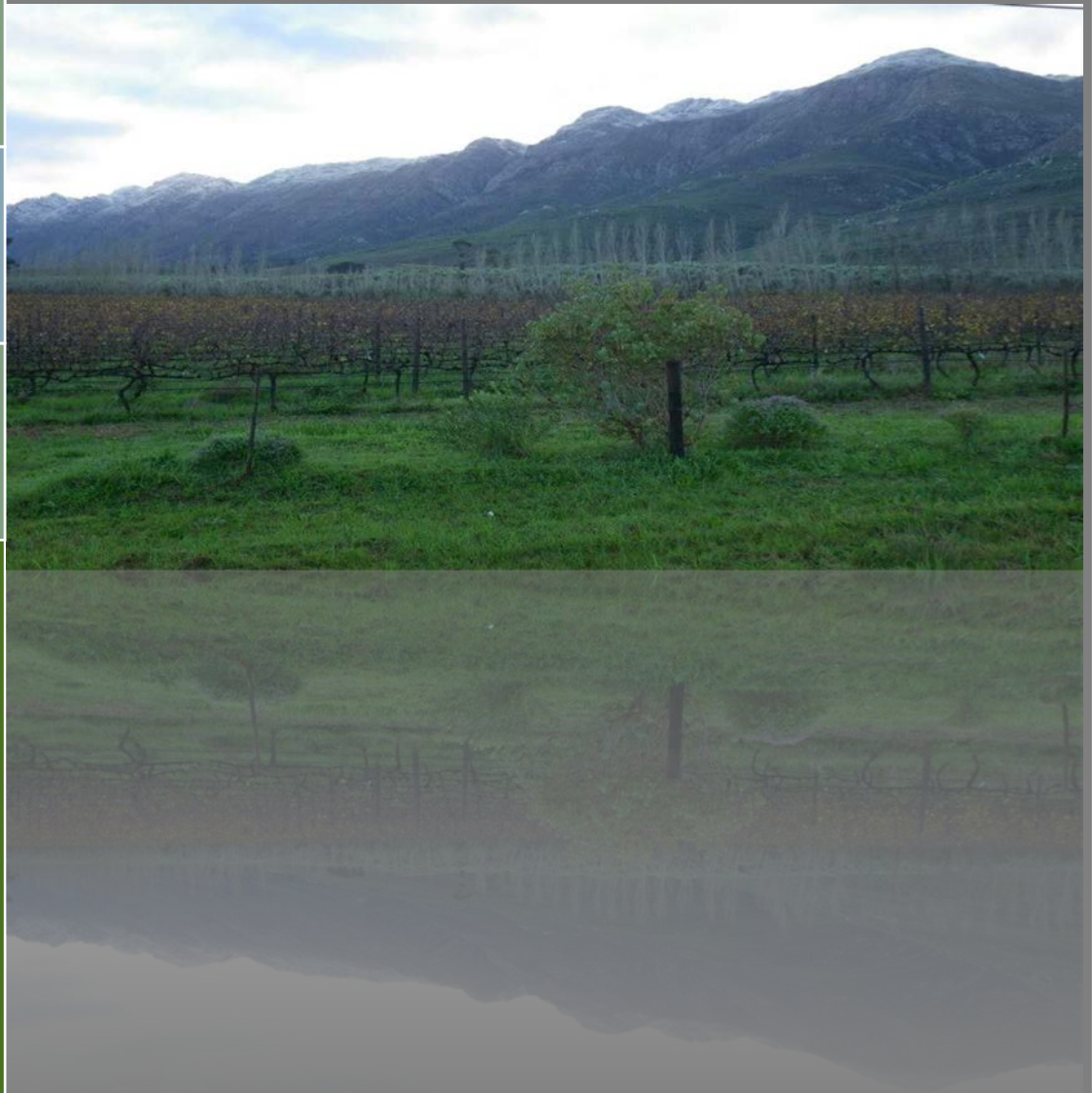


2014

# Annual Financial Statements

30 June 2014



WC022 – WITZENBERG MUNICIPALITY

**AUDITED** - Trim ref 05/03/1



# WITZENBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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# WITZENBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Witzenberg Municipality includes the following areas:

*Ceres  
Op-die-Berg  
Prince Alfred's Hamlet  
Tulbagh  
Wolseley*

#### MUNICIPAL MANAGER

*D Nasson*

#### CHIEF FINANCIAL OFFICER

*HJ Kritznager*

#### REGISTERED OFFICE

*50 Voortrekker Street, Ceres, 6835*

#### AUDITORS

*Auditor-General South Africa*

#### PRINCIPAL BANKERS

*Standard Bank, Ceres*

#### RELEVANT LEGISLATION

The Constituion of the Republic of South Africa  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
SALBC Leave Regulations  
Remuneration of Public Office Bearers Act  
Workmans Compensation Act

# WITZENBERG MUNICIPALITY

## MEMBERS OF THE WITZENBERG MUNICIPALITY

### COUNCILLORS

| Position                    | Surname        | Party       | Seat type |
|-----------------------------|----------------|-------------|-----------|
| Executive Mayor             | Klazen, JNED   | DCP         | PR 1      |
| Deputy Executive Mayor      | Adams, K       | Independent | Ward 6    |
| Speaker                     | Godden, TT     | COPE        | PR 1      |
| Member of Mayoral Committee | Louw, S        | DA          | PR 1      |
| Member of Mayoral Committee | Veschini, JA   | VIP         | PR 1      |
| Member of Mayoral Committee | Smit, HJ       | DA          | Ward 5    |
| Member of Mayoral Committee | Visagie, JJ    | DA          | Ward 4    |
| Ordinary Councillor         | Badela, R      | ANC         | Ward 12   |
| Ordinary Councillor         | Du Plessis, JJ | DA          | PR 3      |
| Ordinary Councillor         | Du Toit, MC    | ANC         | PR 1      |
| Ordinary Councillor         | Heradien, P    | DA          | Ward 7    |
| Ordinary Councillor         | Klaasen, BC    | DA          | PR 2      |
| Ordinary Councillor         | Mouton, JS     | ANC         | PR 2      |
| Ordinary Councillor         | Ndwanya, SM    | ANC         | PR 4      |
| Ordinary Councillor         | Phungula, JT   | ANC         | PR 3      |
| Ordinary Councillor         | Salmon, L      | ANC         | Ward 8    |
| Ordinary Councillor         | Saula, MI      | ANC         | Ward 1    |
| Ordinary Councillor         | Sidego, EM     | DA          | Ward 11   |
| Ordinary Councillor         | Simpson, RJ    | ANC         | Ward 9    |
| Ordinary Councillor         | Swart, D       | DA          | Ward 2    |
| Ordinary Councillor         | Chaaban, BJ    | NPP         | PR 1      |
| Ordinary Councillor         | Hanekom, WJ    | DA          | Ward 3    |
| Ordinary Councillor         | Waterboer, P   | ANC         | Ward 10   |

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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*D Nasson*  
**Municipal Manager**

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26 November 2014  
**Date**

**WITZENBERG MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

|                                                    | Notes | 2014<br>R          | 2013<br>R          |
|----------------------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                                      |       |                    |                    |
| <b>Current Assets</b>                              |       | <b>100 069 023</b> | <b>92 138 367</b>  |
| Cash and Cash Equivalents                          | 2     | 33 062 878         | 30 853 257         |
| Receivables from exchange transactions             | 3     | 39 723 311         | 33 639 420         |
| Receivables from non-exchange transactions         | 4     | 5 905 223          | 4 159 921          |
| Inventory                                          | 5     | 8 019 476          | 5 386 235          |
| Current Portion of Long-term Receivables           | 6     | 59 931             | 27 141             |
| Unpaid Conditional Government Grants and Receipts  | 7     | 9 258 887          | 15 678 100         |
| VAT Receivable (net)                               | 8     | 4 039 317          | 2 394 293          |
| Non-current assets held for sale                   | 9     | 4 935 885          | 2 884 238          |
| <b>Non-Current Assets</b>                          |       | <b>648 156 268</b> | <b>607 560 407</b> |
| Long-Term Receivables                              | 6     | 114 767            | 200 525            |
| Non-Current Investments                            | 10    | 105 062            | 105 062            |
| Property, Plant and Equipment                      | 11    | 599 633 098        | 555 121 021        |
| Intangible Assets                                  | 12    | 1 375 442          | 1 858 502          |
| Investment Property                                | 13    | 45 184 991         | 48 011 630         |
| Heritage assets                                    | 14    | 550 000            | 550 000            |
| Operating Lease Asset                              | 15    | 25 448             | 28 050             |
| Capitalised Restoration Cost                       | 16    | 1 167 461          | 1 685 617          |
| <b>Total Assets</b>                                |       | <b>753 161 177</b> | <b>702 583 012</b> |
| <b>LIABILITIES</b>                                 |       |                    |                    |
| <b>Current Liabilities</b>                         |       | <b>79 526 239</b>  | <b>81 022 006</b>  |
| Payables from exchange transactions                | 17    | 37 340 464         | 45 126 655         |
| Consumer Deposits                                  | 18    | 2 040 705          | 1 862 631          |
| Provisions                                         | 19    | 16 656 258         | 6 791 539          |
| Current Employee benefits                          | 20    | 12 901 380         | 12 526 114         |
| Unspent Conditional Government Grants and Receipts | 7     | 1 277 509          | 6 545 351          |
| Unspent Public Contributions                       | 21    | 1 019 460          | 624 664            |
| Current Portion of Long-term Liabilities           | 22    | 8 290 463          | 7 545 052          |
| <b>Non-Current Liabilities</b>                     |       | <b>95 315 873</b>  | <b>106 264 102</b> |
| Long-term Liabilities                              | 22    | 25 708 909         | 32 335 485         |
| Non-Current Provisions                             | 23    | 8 484 964          | 16 774 617         |
| Employee benefits                                  | 24    | 61 122 000         | 57 154 000         |
| <b>Total Liabilities</b>                           |       | <b>174 842 112</b> | <b>187 286 108</b> |
| <b>Net Assets</b>                                  |       | <b>578 319 065</b> | <b>515 296 904</b> |
| Capital Replacement Reserve                        | 25    | 9 218 922          | 8 565 886          |
| Accumulated Surplus                                |       | 569 100 143        | 506 731 018        |
| <b>Total Net Assets and Liabilities</b>            |       | <b>753 161 177</b> | <b>702 583 012</b> |

**WITZENBERG MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

|                                                           | Notes | 2014<br>(Actual)<br>R | 2013<br>(Restated)<br>R | 2013<br>Correction<br>of error<br>R | 2013<br>(Previously<br>reported)<br>R |
|-----------------------------------------------------------|-------|-----------------------|-------------------------|-------------------------------------|---------------------------------------|
| <b>REVENUE</b>                                            |       |                       |                         |                                     |                                       |
| <b>Revenue from Non-exchange Transactions</b>             |       | <b>194 935 609</b>    | <b>192 522 607</b>      | <b>-</b>                            | <b>192 522 607</b>                    |
| <b>Taxation Revenue</b>                                   |       | <b>48 907 310</b>     | <b>45 277 877</b>       | <b>-</b>                            | <b>45 277 877</b>                     |
| Property rates                                            | 26    | 47 649 701            | 44 230 471              | -                                   | 44 230 471                            |
| Property Rates - penalties imposed and collection charges |       | 1 257 609             | 1 047 406               | -                                   | 1 047 406                             |
| <b>Transfer Revenue</b>                                   |       | <b>146 028 299</b>    | <b>147 244 730</b>      | <b>-</b>                            | <b>147 244 730</b>                    |
| Fines                                                     |       | 7 419 740             | 760 499                 | -                                   | 760 499                               |
| Government Grants and Subsidies - Capital                 | 27    | 48 136 433            | 73 085 201              | -                                   | 73 085 201                            |
| Government Grants and Subsidies - Operating               | 27    | 89 100 522            | 72 347 109              | -                                   | 72 347 109                            |
| Public Contributions and Donations                        |       | 1 371 604             | 1 051 921               | -                                   | 1 051 921                             |
| <b>Revenue from Exchange Transactions</b>                 |       | <b>248 430 873</b>    | <b>228 913 600</b>      | <b>-</b>                            | <b>228 913 600</b>                    |
| Service Charges                                           | 28    | 224 378 974           | 207 843 497             | -                                   | 207 843 497                           |
| Rental of Facilities and Equipment                        |       | 7 616 617             | 6 554 512               | -                                   | 6 554 512                             |
| Interest Earned - external investments                    |       | 3 265 431             | 2 053 378               | -                                   | 2 053 378                             |
| Interest Earned - outstanding debtors                     |       | 6 076 841             | 4 747 998               | -                                   | 4 747 998                             |
| Licences and Permits                                      |       | 166 042               | 125 483                 | -                                   | 125 483                               |
| Agency Services                                           |       | 3 326 448             | 3 051 493               | -                                   | 3 051 493                             |
| Other Income                                              | 29    | 3 597 881             | 4 536 790               | -                                   | 4 536 790                             |
| Unamortised Discount - Interest                           |       | 2 639                 | 449                     | -                                   | 449                                   |
| <b>Total Revenue</b>                                      |       | <b>443 366 482</b>    | <b>421 436 207</b>      | <b>-</b>                            | <b>421 436 207</b>                    |
| <b>EXPENDITURE</b>                                        |       |                       |                         |                                     |                                       |
| Employee related costs                                    | 30    | 107 051 074           | 97 582 026              | 651 672                             | 96 930 354                            |
| Remuneration of Councillors                               | 31    | 7 788 802             | 6 932 325               | -                                   | 6 932 325                             |
| Debt Impairment                                           | 32    | 27 825 458            | 19 722 706              | -                                   | 19 722 706                            |
| Collection Costs                                          |       | 155 152               | 299 065                 | -                                   | 299 065                               |
| Depreciation and Amortisation                             | 33    | 16 168 729            | 13 995 677              | -                                   | 13 995 677                            |
| Repairs and Maintenance                                   |       | 14 526 317            | 13 523 900              | 118                                 | 13 523 782                            |
| Unamortised Discount - Interest paid                      |       | 1 701 071             | 1 821 743               | -                                   | 1 821 743                             |
| Finance Charges                                           | 35    | 10 671 992            | 11 319 234              | -                                   | 11 319 234                            |
| Bulk Purchases                                            | 36    | 125 406 539           | 118 180 997             | -                                   | 118 180 997                           |
| Contracted services                                       |       | 36 916 862            | 20 701 848              | 11 984 140                          | 8 717 708                             |
| Grants and Subsidies                                      | 37    | 812 208               | 767 362                 | -                                   | 767 362                               |
| Operating Grant Expenditure                               |       | -                     | -                       | (13 247 855)                        | 13 247 855                            |
| General Expenses                                          | 38    | 31 685 073            | 32 050 313              | 670 238                             | 31 380 075                            |
| <b>Total Expenditure</b>                                  |       | <b>380 709 277</b>    | <b>336 897 196</b>      | <b>58 313</b>                       | <b>336 838 883</b>                    |
| Gain / (loss) on disposal of assets                       |       | (749 801)             | 2 500                   | -                                   | 2 500                                 |
| (Impairment loss)                                         | 34    | (278 483)             | (449 054)               | -                                   | (449 054)                             |
| Gain on Adjustment of Provision                           |       | -                     | 598 555                 | -                                   | 598 555                               |
| Inventories: (Write-down) / Reversal of write-down        |       | (98 526)              | (1 728)                 | -                                   | (1 728)                               |
| Gain / (loss) on Actuarial Valuations                     | 24    | 1 491 766             | 6 138 104               | -                                   | 6 138 104                             |
| <b>NET SURPLUS FOR THE YEAR</b>                           |       | <b>63 022 161</b>     | <b>90 827 388</b>       | <b>(58 313)</b>                     | <b>90 885 701</b>                     |

**WITZENBERG MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

|                                             | Notes       | Capital<br>Replacement<br>Reserve | Accumulated<br>Surplus/(Deficit) | Total              |
|---------------------------------------------|-------------|-----------------------------------|----------------------------------|--------------------|
|                                             |             | R                                 | R                                | R                  |
| <b>Balance at 1 JULY 2012</b>               |             | <b>6 414 513</b>                  | <b>417 428 262</b>               | <b>423 842 775</b> |
| Correction of error                         | <b>39.4</b> | -                                 | 626 741                          | 626 741            |
| <b>Restated Balance at 1 JULY 2012</b>      |             | <b>6 414 513</b>                  | <b>418 055 003</b>               | <b>424 469 516</b> |
| Contribution to Capital Replacement Reserve |             | 15 672 599                        | (15 672 599)                     | -                  |
| Property, Plant and Equipment purchased     |             | (13 521 226)                      | 13 521 226                       | -                  |
| Net Surplus for the year                    |             | -                                 | 90 827 388                       | 90 827 388         |
| <b>Balance at 30 JUNE 2013</b>              |             | <b>8 565 886</b>                  | <b>506 731 018</b>               | <b>515 296 904</b> |
| Contribution to Capital Replacement Reserve |             | 13 309 519                        | (13 309 519)                     | -                  |
| Property, Plant and Equipment purchased     |             | (12 656 483)                      | 12 656 483                       | -                  |
| Net Surplus for the year                    |             | -                                 | 63 022 161                       | 63 022 161         |
| <b>Balance at 30 JUNE 2014</b>              |             | <b>9 218 922</b>                  | <b>569 100 143</b>               | <b>578 319 065</b> |

**WITZENBERG MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

|                                                             | Notes     | 30 JUNE 2014<br>R   | 30 JUNE 2013<br>R   |
|-------------------------------------------------------------|-----------|---------------------|---------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |           |                     |                     |
| <b>Receipts</b>                                             |           |                     |                     |
| Taxation                                                    | 40        | 44 203 415          | 40 858 607          |
| Sales of goods and services                                 |           | 216 814 252         | 204 458 106         |
| Government Grants                                           |           | 138 392 645         | 128 518 466         |
| Interest                                                    |           | 10 599 881          | 7 848 782           |
| <b>Payments</b>                                             |           |                     |                     |
| Employee costs                                              |           | (101 216 041)       | (90 838 792)        |
| Suppliers                                                   |           | (228 205 384)       | (185 414 538)       |
| Finance charges                                             | 35        | (10 671 992)        | (11 319 234)        |
| Transfers and Grants                                        |           | (812 208)           | (767 362)           |
| <b>Cash generated by operations</b>                         | <b>40</b> | <b>69 104 569</b>   | <b>93 344 035</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |           |                     |                     |
| Purchase of Property, Plant and Equipment                   | 11        | (59 150 201)        | (86 980 282)        |
| Purchase of Intangible Assets                               |           | (116 240)           | (885 196)           |
| Proceeds on Disposal of Fixed Assets                        |           | 277 520             | 12 500              |
| Increase/(Decrease) in Long-term Receivables                | 6         | 44 900              | (103 821)           |
| <b>Net Cash from Investing Activities</b>                   |           | <b>(58 944 021)</b> | <b>(87 956 800)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |           |                     |                     |
| Loans repaid                                                |           | (7 581 800)         | (7 216 529)         |
| Increase in Consumer Deposits                               |           | 178 074             | 120 766             |
| <b>Net Cash from Financing Activities</b>                   |           | <b>(7 403 726)</b>  | <b>(7 095 763)</b>  |
| <b>NET INCREASE/(DECREASE IN CASH AND CASH EQUIVALENTS)</b> |           | <b>2 756 822</b>    | <b>(1 708 528)</b>  |
| Cash and Cash Equivalents at the beginning of the year      |           | 30 853 256          | 32 561 785          |
| Cash and Cash Equivalents at the end of the year            | 2         | 33 062 878          | 30 853 256          |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> |           | <b>2 209 622</b>    | <b>(1 708 529)</b>  |



# WITZENBERG MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

|                                                           | Actual 2014<br>R   | Approved<br>budget 2014<br>R | Adjustments<br>2014<br>R | Final budget<br>2014<br>R | Difference<br>between final<br>budget and<br>actual | Actual 2013<br>R   |
|-----------------------------------------------------------|--------------------|------------------------------|--------------------------|---------------------------|-----------------------------------------------------|--------------------|
| <b>Operating Revenue</b>                                  |                    |                              |                          |                           |                                                     |                    |
| Property rates                                            | 47 649 701         | 47 463 036                   | -                        | 47 463 036                | 0.4%                                                | 44 230 471         |
| Property Rates - penalties imposed and collection charges | 1 257 609          | 816 480                      | -                        | 816 480                   | 54.0%                                               | 1 047 406          |
| Fines                                                     | 7 419 740          | 3 293 150                    | 1 800 000                | 5 093 150                 | 45.7%                                               | 760 499            |
| Government Grants and Subsidies - Capital                 | 48 136 433         | 43 189 764                   | 6 681 098                | 49 870 862                | -3.5%                                               | 73 085 201         |
| Government Grants and Subsidies - Operating               | 89 100 522         | 95 450 030                   | (3 996 746)              | 91 453 284                | -2.6%                                               | 72 347 109         |
| Public Contributions and Donations                        | 1 371 604          | -                            | (113 000)                | (113 000)                 | -1313.8%                                            | 1 051 921          |
| Service Charges                                           | 224 378 974        | 228 861 916                  | 4 800 000                | 233 661 916               | -4.0%                                               | 207 843 497        |
| Rental of Facilities and Equipment                        | 7 616 617          | 8 047 440                    | -                        | 8 047 440                 | -5.4%                                               | 6 554 512          |
| Interest Earned - external investments                    | 3 265 431          | 1 857 310                    | 756 504                  | 2 613 814                 | 24.9%                                               | 2 053 378          |
| Interest Earned - outstanding debtors                     | 6 076 841          | 4 717 710                    | 750 000                  | 5 467 710                 | 11.1%                                               | 4 747 998          |
| Licences and Permits                                      | 166 042            | 253 530                      | -                        | 253 530                   | -34.5%                                              | 125 483            |
| Agency Services                                           | 3 326 448          | 2 973 750                    | -                        | 2 973 750                 | 11.9%                                               | 3 051 493          |
| Other Income                                              | 3 597 881          | 3 526 035                    | 554 367                  | 4 080 402                 | -11.8%                                              | 4 536 790          |
| Unamortised Discount - Interest                           | 2 639              | -                            | -                        | -                         |                                                     | 449                |
| <b>Total revenue</b>                                      | <b>443 366 482</b> | <b>440 450 151</b>           | <b>11 232 223</b>        | <b>451 682 374</b>        | <b>1.8%</b>                                         | <b>421 436 207</b> |
| <b>Operating Expenses</b>                                 |                    |                              |                          |                           |                                                     |                    |
| Employee related costs                                    | 107 051 074        | 112 918 681                  | (2 255 338)              | 110 663 343               | 3.3%                                                | 97 582 026         |
| Remuneration of Councillors                               | 7 788 802          | 7 465 814                    | 400 000                  | 7 865 814                 | 1.0%                                                | 6 932 325          |
| Debt Impairment                                           | 27 825 458         | 13 411 060                   | 14 490 784               | 27 901 844                | 0.3%                                                | 19 722 706         |
| Collection Costs                                          | 155 152            | 718 620                      | (245 000)                | 473 620                   | 67.2%                                               | 299 065            |
| Depreciation and Amortisation                             | 16 168 729         | 21 454 367                   | -                        | 21 454 367                | 24.6%                                               | 13 995 677         |
| Repairs and Maintenance                                   | 14 526 317         | 15 194 987                   | 963 787                  | 16 158 774                | 10.1%                                               | 13 523 900         |
| Unamortised Discount - Interest paid                      | 1 701 071          | 1 694 901                    | -                        | 1 694 901                 | -0.4%                                               | 1 821 743          |
| Finance Charges                                           | 10 671 992         | 12 023 712                   | (79 550)                 | 11 944 162                | 10.7%                                               | 11 319 234         |
| Bulk Purchases                                            | 125 406 539        | 135 000 000                  | (8 490 784)              | 126 509 216               | 0.9%                                                | 118 180 997        |
| Contracted services                                       | 36 916 862         | 41 254 633                   | (2 217 477)              | 39 037 156                | 5.4%                                                | 20 701 848         |
| Grants and Subsidies                                      | 812 208            | 806 490                      | 65 000                   | 871 490                   | 6.8%                                                | 767 362            |
| Operating Grant Expenditure                               | -                  | 1 045 019                    | (577 193)                | 467 826                   | 100.0%                                              | -                  |
| Other expenses                                            | 31 320 117         | 39 090 792                   | -1 597 700               | 37 493 092                | 16.5%                                               | 25 761 936         |
| <b>Total expenses</b>                                     | <b>380 344 321</b> | <b>402 079 076</b>           | <b>456 529</b>           | <b>402 535 605</b>        | <b>5.5%</b>                                         | <b>330 608 819</b> |
| <b>Surplus/(deficit) for the period</b>                   | <b>63 022 161</b>  | <b>38 371 075</b>            | <b>10 775 694</b>        | <b>49 146 769</b>         | <b>-28.2%</b>                                       | <b>90 827 388</b>  |
| <b>Capital expenditure by vote</b>                        |                    |                              |                          |                           |                                                     |                    |
| Budget & Treasury Office                                  | 135 394            | 103 000                      | 333 870                  | 436 870                   | 69.0%                                               | 438                |
| Civil Services                                            | 36 821 530         | 34 695 301                   | 2 204 521                | 36 899 822                | 0.2%                                                | 73 676 208         |
| Community & Social Services                               | 6 240 928          | 4 099 000                    | 3 285 317                | 7 384 317                 | 15.5%                                               | 429 789            |
| Corporate Services                                        | 716 327            | 530 000                      | 377 901                  | 907 901                   | 21.1%                                               | 1 900 726          |
| Electro Technical Services                                | 2 813 326          | 2 900 000                    | (45 862)                 | 2 854 138                 | 1.4%                                                | 3 182 097          |
| Executive & Council                                       | -                  | -                            | -                        | -                         |                                                     | -                  |
| Housing                                                   | 24 511             | -                            | 27 406                   | 27 406                    | 10.6%                                               | 1 481              |
| Planning                                                  | -                  | -                            | -                        | -                         |                                                     | -                  |
| Public Safety                                             | 358 010            | 380 000                      | 46 279                   | 426 279                   | 16.0%                                               | 1 459 238          |
| Sport & Recreation                                        | 11 856 135         | 8 643 095                    | 3 733 145                | 12 376 240                | 4.2%                                                | 6 916 859          |
| <b>Total capital expenditure</b>                          | <b>58 966 161</b>  | <b>51 350 396</b>            | <b>9 962 577</b>         | <b>61 312 973</b>         |                                                     | <b>87 566 836</b>  |

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

Please refer to Note 43 for more information on budget comparisons.

## 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

|                |                                                                 |
|----------------|-----------------------------------------------------------------|
| GRAP 1         | Presentation of Financial Statements                            |
| GRAP 2         | Cash Flow Statements                                            |
| GRAP 3         | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4         | The Effects of changes in Foreign Exchange Rates                |
| GRAP 5         | Borrowing Costs                                                 |
| GRAP 6         | Consolidated and Separate Financial Statements                  |
| GRAP 7         | Investments in Associates                                       |
| GRAP 8         | Interests in Joint Ventures                                     |
| GRAP 9         | Revenue from Exchange Transactions                              |
| GRAP 10        | Financial Reporting in Hyperinflationary Economics              |
| GRAP 11        | Construction Contracts                                          |
| GRAP 12        | Inventories                                                     |
| GRAP 13        | Leases                                                          |
| GRAP 14        | Events after the reporting date                                 |
| GRAP 16        | Investment Property                                             |
| GRAP 17        | Property, Plant and Equipment                                   |
| GRAP 19        | Provisions, Contingent Liabilities and Contingent Assets        |
| GRAP 21        | Impairment of non-cash-generating assets                        |
| GRAP 23        | Revenue from Non-Exchange Transactions                          |
| GRAP 24        | Presentation of Budget Information                              |
| GRAP 25        | Employee Benefits                                               |
| GRAP 26        | Impairment of cash-generating assets                            |
| GRAP 100       | Non-current Assets held for Sale and Discontinued Operations    |
| GRAP 101       | Agriculture                                                     |
| GRAP 31        | Intangible assets                                               |
| GRAP 103       | Heritage Assets                                                 |
| GRAP 104       | Financial Instruments                                           |
| IPSAS 20       | Related Party Disclosure                                        |
| IFRS 3 (AC140) | Business Combinations                                           |
| IFRS 4 (AC141) | Insurance Contracts                                             |

**WITZENBERG MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|                           |                                                                                          |
|---------------------------|------------------------------------------------------------------------------------------|
| IFRS 6 (AC143)            | Exploration for and Evaluation of Mineral Resources                                      |
| IAS 12 (AC102)            | Income Taxes                                                                             |
| SIC – 21 (AC421)          | Income Taxes – Recovery of Revaluated Non-Depreciable Assets                             |
| SIC – 25 (AC425)          | Income Taxes – Changes in the Tax Status on an Entity or its Shareholders                |
| SIC – 29 (AC429)          | Service Concessions Arrangements – Disclosures                                           |
| IFRIC 2 (AC435)           | Members' Shares in Co-operative Entities and Similar Instruments                         |
| IFRIC 4 (AC437)           | Determining whether an Arrangement contains a Lease                                      |
| IFRIC 9 (AC442)           | Reassessment of Embedded Derivatives                                                     |
| IFRIC 12 (AC445)          | Service Concession Arrangements                                                          |
| IFRIC 13 (AC446)          | Customer Loyalty Programmes                                                              |
| IFRIC 14 (AC447)<br>IAS19 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IFRIC 15 (AC448)          | Agreements for the Construction of Real Estate                                           |
| IFRIC 16(AC449)           | Hedges in a Net Investment in a Foreign Operation                                        |

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

**1.6. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard | Description                                                                                                                                                                         | Effective Date |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| GRAP 18  | <b>Segment Reporting</b><br>Information to a large extent is already included in the notes to the annual financial statements.                                                      | Unknown        |
| GRAP 20  | <b>Related Party Disclosures</b><br>No significant impact is expected as the Municipality does not participate in such business transactions.                                       | Unknown        |
| GRAP 32  | <b>Service Concession Arrangements: Grantor</b><br>No significant impact is expected as the Municipality does not participate in such business transactions.                        | Unknown        |
| GRAP 105 | <b>Transfer of Functions Between Entities Under Common Control</b><br>No significant impact is expected as the Municipality does not participate in such business transactions.     | Unknown        |
| GRAP 106 | <b>Transfer of Functions Between Entities Not Under Common Control</b><br>No significant impact is expected as the Municipality does not participate in such business transactions. | Unknown        |
| GRAP 107 | <b>Mergers</b><br>No significant impact is expected as the Municipality does not participate in such business transactions.                                                         | Unknown        |
| GRAP 108 | <b>Statutory receivable</b><br>No significant impact is expected as the Municipality does not participate in such business transactions.                                            | Unknown        |

**1.7. RESERVES*****Capital Replacement Reserve (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

**1.8. LEASES*****1.8.1. Municipality as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.8.2. Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.11. PROVISIONS****1.11.1. GENERAL PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

#### **1.11.2. REHABILITATION OF LANDFILL SITES PROVISIONS**

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate less 4%. The dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012 and 2015.

#### **1.12. EMPLOYEE BENEFITS**

##### **1.12.1. Post-Retirement Medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### **1.12.2. Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### **1.12.3. Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

##### **1.12.4. Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

##### **1.12.5. Performance bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.12.6. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.12.7. Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**1.13. PROPERTY, PLANT AND EQUIPMENT****1.13.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.13.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.13.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

**WITZENBERG MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|                             | <b>Years</b> |                         | <b>Years</b> |
|-----------------------------|--------------|-------------------------|--------------|
| <b>Infrastructure</b>       |              | <b>Other</b>            |              |
| Roads and Paving            | 5-100        | Airports                | 20           |
| Electricity                 | 4-46         | Buildings               | 30-100       |
| Water                       | 15-150       | Computer equipment      | 3-30         |
| Sanitation                  | 15-60        | Furniture and equipment | 5-30         |
| Other                       | 10-15        | Landfill sites          | 9-24         |
|                             |              | Markets                 | 30           |
| <b>Community</b>            |              | Other                   | 3-30         |
| Recreational Facilities     | 10-30        | Other vehicles          | 5-67         |
| Sport fields & Stadia       | 10-20        | Plant and Equipment     | 5-32         |
| Halls                       | 5-97         | Specialist vehicles     | 7-38         |
| Libraries                   | 10-30        |                         |              |
| Parks and gardens           | 10           |                         |              |
| Other assets                | 5-30         |                         |              |
| Cemeteries                  | 5-30         |                         |              |
|                             |              |                         |              |
| <b>Finance lease assets</b> |              |                         |              |
| Office equipment            | 4            |                         |              |
|                             |              |                         |              |
|                             |              |                         |              |

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### **1.13.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.13.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional arrangement as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

### **1.14. INTANGIBLE ASSETS**

#### **1.14.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or  
arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.



Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

the municipality intends to complete the intangible asset for use or sale;  
it is technically feasible to complete the intangible asset;  
the municipality has the resources to complete the project; and  
it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.14.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.14.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| <b>Intangible Assets</b>   | <b>Years</b> |
|----------------------------|--------------|
| Computer Software          | 5            |
| Computer Software Licenses | 5            |

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

#### **1.14.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.15. INVESTMENT PROPERTY**

#### **1.15.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an

investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

#### **1.15.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.15.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings                  | 99 - 100     |

The actual useful lives used for depreciation purposes may vary from the above information as the remaining useful lives of assets are reviewed annually.

#### **1.15.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.16. HERITAGE ASSETS**

#### **1.16.1. Initial Recognition**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### **1.16.2. Subsequent Measurement**

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.16.3. Impairment**

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### **1.16.4. De-recognition**

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.17.1. Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.17.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

*Depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.18. COMMITMENTS**

Commitments are future payments and expenditure to be incurred on contracts that have been entered into at the reporting date and where there are unperformed obligations. The commitments would include both capital and operating items.

Committed expenditure approved and contracted for at reporting date is where the expenditure has been approved and the contract has been awarded.

Committed expenditure approved but not yet contracted for at reporting date is where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation.

#### **1.19. INVENTORIES**

##### **1.19.1. Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

##### **1.19.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.20. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

**1.21.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

**1.21.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.21.2.1. Receivables**

Receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.21.2.2. Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.21.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.21.2.4. Non-Current Investments**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.21.3. De-recognition of Financial Instruments****1.21.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired; or  
the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.21.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.21.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.22. REVENUE****1.22.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised when issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.22.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter vouchers is recognised eight days after the sale of the relevant voucher.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.22.3. Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.23. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and ordinary councillors.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.24. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

**1.28. PRESENTATION OF BUDGET INFORMATION**



The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### ***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### ***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### ***Revenue Recognition***

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### **1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.31. JOINT VENTURES**

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

### **1.32. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| 2 | CASH AND CASH EQUIVALENTS                                                                                                                                                                                                                                                                  | 2014<br>R          | 2013<br>R          |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|   | <b>Assets</b>                                                                                                                                                                                                                                                                              |                    |                    |
|   | Call Investments Deposits                                                                                                                                                                                                                                                                  | -                  | 21 913 574         |
|   | Bank Accounts                                                                                                                                                                                                                                                                              | 33 054 452         | 8 931 456          |
|   | Cash Floats                                                                                                                                                                                                                                                                                | 8 426              | 8 227              |
|   | <b>Total Cash and Cash Equivalents - Assets</b>                                                                                                                                                                                                                                            | <b>33 062 878</b>  | <b>30 853 257</b>  |
|   | Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.                                                                                                                                                   |                    |                    |
|   | The municipality has the following bank accounts:                                                                                                                                                                                                                                          |                    |                    |
|   | Cash book balance at beginning of year                                                                                                                                                                                                                                                     | 8 931 456          | 14 476 952         |
|   | Cash book balance at end of year                                                                                                                                                                                                                                                           | 33 054 452         | 8 931 456          |
|   | The municipality changed it's Primary Bank Account from ABSA Bank Limited to The Standard Bank of South Africa Limited on 1 March 2013. The ABSA account has not been closed at year end as some debtors still pay their service accounts into the old account.                            |                    |                    |
|   | <b>Primary Bank Account: Standard Bank - Account Number 203241819</b>                                                                                                                                                                                                                      |                    |                    |
|   | Bank statement balance at beginning of year                                                                                                                                                                                                                                                | 12 855 343         | -                  |
|   | Bank statement balance at end of year                                                                                                                                                                                                                                                      | 40 465 237         | 12 855 343         |
|   | <b>ABSA Bank Limited - Account Number 350000011</b>                                                                                                                                                                                                                                        |                    |                    |
|   | Bank statement balance at beginning of year                                                                                                                                                                                                                                                | 164 567            | 16 461 234         |
|   | Bank statement balance at end of year                                                                                                                                                                                                                                                      | 758 562            | 164 567            |
|   | <b>Call Investment Deposits</b>                                                                                                                                                                                                                                                            |                    |                    |
|   | Call investment deposits consist of the following accounts:                                                                                                                                                                                                                                |                    |                    |
|   | ABSA Bank Ltd - Account Number 9184483785                                                                                                                                                                                                                                                  |                    | 1 094 641          |
|   | First Rand Bank - Account Number 62192709164                                                                                                                                                                                                                                               |                    | 63 995             |
|   | Nedbank Ltd - Account Number 03/7881032766/30                                                                                                                                                                                                                                              |                    | 10 130 630         |
|   | Standard Bank of SA Ltd - Account Number 088779831-008                                                                                                                                                                                                                                     |                    | 10 624 309         |
|   |                                                                                                                                                                                                                                                                                            | -                  | 21 913 574         |
| 3 | <b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>                                                                                                                                                                                                                                              |                    |                    |
|   | Electricity                                                                                                                                                                                                                                                                                | 30 797 719         | 28 334 228         |
|   | Water                                                                                                                                                                                                                                                                                      | 55 738 272         | 39 770 496         |
|   | Housing Rentals                                                                                                                                                                                                                                                                            | 2 042 412          | 1 732 028          |
|   | Refuse                                                                                                                                                                                                                                                                                     | 28 910 300         | 23 188 758         |
|   | Sewerage                                                                                                                                                                                                                                                                                   | 23 241 967         | 19 453 910         |
|   | Other                                                                                                                                                                                                                                                                                      | 1 982 612          | 1 898 125          |
|   | <b>Total Receivables from Exchange Transactions</b>                                                                                                                                                                                                                                        | <b>142 713 282</b> | <b>114 377 545</b> |
|   | Less: Provision for Impairment                                                                                                                                                                                                                                                             | (102 989 971)      | (80 738 125)       |
|   | <b>Total Net Receivables from Exchange Transactions</b>                                                                                                                                                                                                                                    | <b>39 723 311</b>  | <b>33 639 420</b>  |
|   | Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. |                    |                    |
|   | Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):                                                                                                                                                                    |                    |                    |
|   | Accrued Income Electricity                                                                                                                                                                                                                                                                 | 13 396 576         | 12 824 898         |
|   | Accrued Income Water                                                                                                                                                                                                                                                                       | 5 383 419          | 2 693 795          |
|   | <b>Ageing of Receivables from Exchange Transactions:</b>                                                                                                                                                                                                                                   |                    |                    |
|   | <b>(Electricity): Ageing</b>                                                                                                                                                                                                                                                               |                    |                    |
|   | Accrued Income Electricity                                                                                                                                                                                                                                                                 | 13 396 576         | 12 824 898         |
|   | Current (0 - 30 days)                                                                                                                                                                                                                                                                      | 12 083 988         | 11 354 395         |
|   | 31 - 60 Days                                                                                                                                                                                                                                                                               | 575 786            | 567 272            |
|   | 61 - 90 Days                                                                                                                                                                                                                                                                               | 312 558            | 192 805            |
|   | + 90 Days                                                                                                                                                                                                                                                                                  | 4 428 810          | 3 394 858          |
|   | <b>Total</b>                                                                                                                                                                                                                                                                               | <b>30 797 719</b>  | <b>28 334 228</b>  |

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED | 2014<br>R          | 2013<br>R          |
|--------------------------------------------------|--------------------|--------------------|
| <b><u>(Water): Ageing</u></b>                    |                    |                    |
| Accrued Income Water                             | 5 383 419          | 2 693 795          |
| Current (0 - 30 days)                            | 9 875 827          | 2 343 834          |
| 31 - 60 Days                                     | 1 347 670          | 957 326            |
| 61 - 90 Days                                     | 1 084 357          | 871 205            |
| + 90 Days                                        | 38 047 073         | 32 904 337         |
| <b>Total</b>                                     | <b>55 738 346</b>  | <b>39 770 496</b>  |
| <b><u>(Housing): Ageing</u></b>                  |                    |                    |
| Current (0 - 30 days)                            | 47 913             | 47 018             |
| 31 - 60 Days                                     | 30 845             | 34 215             |
| 61 - 90 Days                                     | 25 908             | 31 170             |
| + 90 Days                                        | 1 937 745          | 1 619 625          |
| <b>Total</b>                                     | <b>2 042 412</b>   | <b>1 732 028</b>   |
| <b><u>(Refuse): Ageing</u></b>                   |                    |                    |
| Current (0 - 30 days)                            | 1 570 356          | 1 414 496          |
| 31 - 60 Days                                     | 658 556            | 637 336            |
| 61 - 90 Days                                     | 473 220            | 466 580            |
| + 90 Days                                        | 26 208 167         | 20 670 345         |
| <b>Total</b>                                     | <b>28 910 299</b>  | <b>23 188 758</b>  |
| <b><u>(Sewerage): Ageing</u></b>                 |                    |                    |
| Current (0 - 30 days)                            | 1 662 932          | 1 261 948          |
| 31 - 60 Days                                     | 542 607            | 2 003 180          |
| 61 - 90 Days                                     | 396 762            | 414 782            |
| + 90 Days                                        | 20 639 666         | 15 774 000         |
| <b>Total</b>                                     | <b>23 241 967</b>  | <b>19 453 910</b>  |
| <b><u>(Other): Ageing</u></b>                    |                    |                    |
| Current (0 - 30 days)                            | 76 097             | 77 483             |
| 31 - 60 Days                                     | 26 882             | 36 674             |
| 61 - 90 Days                                     | 32 291             | 30 659             |
| + 90 Days                                        | 1 847 268          | 1 753 309          |
| <b>Total</b>                                     | <b>1 982 537</b>   | <b>1 898 125</b>   |
| <b><u>(Total): Ageing</u></b>                    |                    |                    |
| Accrued Income                                   | 18 779 995         | 15 518 693         |
| Current (0 - 30 days)                            | 25 317 113         | 16 499 174         |
| 31 - 60 Days                                     | 3 182 347          | 4 236 003          |
| 61 - 90 Days                                     | 2 325 097          | 2 007 201          |
| + 90 Days                                        | 93 108 730         | 76 116 473         |
| <b>Total</b>                                     | <b>142 713 282</b> | <b>114 377 544</b> |
| <b>Reconciliation of Provision for Bad Debts</b> |                    |                    |
| Balance at beginning of year                     | 80 738 123         | 59 991 406         |
| Contribution to provision                        | 22 260 498         | 20 749 935         |
| Bad Debts Written Off                            | (8 652)            | (3 218)            |
| <b>Balance at end of year</b>                    | <b>102 989 969</b> | <b>80 738 123</b>  |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

|                                                                                                                                                                                                                                                                                                                                                                                                                     | 2014<br>R         | 2013<br>R         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>                                                                                                                                                                                                                                                                                                                                                                 |                   |                   |
| Rates                                                                                                                                                                                                                                                                                                                                                                                                               | 18 422 228        | 14 975 942        |
| Other Receivables                                                                                                                                                                                                                                                                                                                                                                                                   | 8 365 091         | 1 778 704         |
| Accrued Fines                                                                                                                                                                                                                                                                                                                                                                                                       | 6 581 114         | 130 799           |
| Deposits                                                                                                                                                                                                                                                                                                                                                                                                            | 224 616           | 224 615           |
| SARS                                                                                                                                                                                                                                                                                                                                                                                                                | 524 109           | 524 110           |
| Prepaid Expenditure                                                                                                                                                                                                                                                                                                                                                                                                 | 1 035 252         | 899 180           |
| <b>Total Receivables from Non-Exchange Transactions</b>                                                                                                                                                                                                                                                                                                                                                             | <b>26 787 319</b> | <b>16 754 646</b> |
| Less: Provision for Impairment                                                                                                                                                                                                                                                                                                                                                                                      | (20 882 096)      | (12 594 725)      |
| <b>Total Net Receivables from Non-Exchange Transactions</b>                                                                                                                                                                                                                                                                                                                                                         | <b>5 905 223</b>  | <b>4 159 921</b>  |
| Ageing of Receivables from Non-Exchange Transactions:                                                                                                                                                                                                                                                                                                                                                               |                   |                   |
| <b><u>(Rates): Ageing</u></b>                                                                                                                                                                                                                                                                                                                                                                                       |                   |                   |
| Current (0 - 30 days)                                                                                                                                                                                                                                                                                                                                                                                               | 2 150 235         | 1 610 717         |
| 31 - 60 Days                                                                                                                                                                                                                                                                                                                                                                                                        | 447 767           | 231 023           |
| 61 - 90 Days                                                                                                                                                                                                                                                                                                                                                                                                        | 114 655           | 207 011           |
| + 90 Days                                                                                                                                                                                                                                                                                                                                                                                                           | 15 679 091        | 12 927 191        |
| <b>Total</b>                                                                                                                                                                                                                                                                                                                                                                                                        | <b>18 391 748</b> | <b>14 975 942</b> |
| <b>Reconciliation of Provision for Bad Debts</b>                                                                                                                                                                                                                                                                                                                                                                    |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                                                                                                                                                                        | 12 594 724        | 9 857 556         |
| Contribution to provision                                                                                                                                                                                                                                                                                                                                                                                           | 8 287 372         | 2 882 345         |
| Bad Debts Written Off                                                                                                                                                                                                                                                                                                                                                                                               | -                 | (145 177)         |
| <b>Balance at end of year</b>                                                                                                                                                                                                                                                                                                                                                                                       | <b>20 882 096</b> | <b>12 594 724</b> |
| Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. |                   |                   |
| <b>5 INVENTORY</b>                                                                                                                                                                                                                                                                                                                                                                                                  |                   |                   |
| Consumable Stores - At cost                                                                                                                                                                                                                                                                                                                                                                                         | 8 001 706         | 5 367 662         |
| Water - At purification cost                                                                                                                                                                                                                                                                                                                                                                                        | 17 770            | 18 573            |
| <b>Total Inventory</b>                                                                                                                                                                                                                                                                                                                                                                                              | <b>8 019 476</b>  | <b>5 386 235</b>  |
| Consumable stores materials written down due to losses as identified during the annual stores counts.                                                                                                                                                                                                                                                                                                               | 98 526            | 1 796             |
| Consumable stores materials surplusses identified during the annual stores counts.                                                                                                                                                                                                                                                                                                                                  | 37                | 68                |
| Consumable stores inventory recognised as an expense during the year                                                                                                                                                                                                                                                                                                                                                | 7 747 251         | 8 001 445         |

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

|          |                                                                  | 2014<br>R                 | 2013<br>R                 |
|----------|------------------------------------------------------------------|---------------------------|---------------------------|
| <b>6</b> | <b>LONG-TERM RECEIVABLES</b>                                     |                           |                           |
|          | Housing Loans                                                    | 282 988                   | 313 895                   |
|          | Sport Club Loans                                                 | 44 363                    | 58 355                    |
|          | Town Development                                                 | 31 126                    | 31 126                    |
|          |                                                                  | <u>358 477</u>            | <u>403 376</u>            |
|          | <b>Less:</b> Unamortised Discount on Loans                       | (5 056)                   | (7 260)                   |
|          | Balance 1 July                                                   | (7 260)                   | (7 260)                   |
|          | Adjustment for the period                                        | 2 204                     | -                         |
|          | Change in Accounting Policy                                      | -                         | -                         |
|          |                                                                  | <u>353 421</u>            | <u>396 116</u>            |
|          | <b>Less:</b> Current portion transferred to current receivables  | (59 931)                  | (27 141)                  |
|          | Housing Loans                                                    | (21 331)                  | (20 096)                  |
|          | Sport Club Loans                                                 | (7 474)                   | (7 045)                   |
|          | Town Development                                                 | (31 126)                  | -                         |
|          |                                                                  | <u>293 490</u>            | <u>368 975</u>            |
|          | <b>Less:</b> Provision for Impairment                            | (178 723)                 | (168 450)                 |
|          | <b>Total Long Term Receivables</b>                               | <u><b>114 767</b></u>     | <u><b>200 525</b></u>     |
|          | <b>Reconciliation of Provision for Bad Debts</b>                 |                           |                           |
|          | Balance at beginning of year                                     | 168 451                   | 152 657                   |
|          | Contribution to provision                                        | 10 272                    | 15 794                    |
|          | <b>Balance at end of year</b>                                    | <u><b>178 723</b></u>     | <u><b>168 451</b></u>     |
| <b>7</b> | <b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>        |                           |                           |
|          | <b>Unspent Grants</b>                                            | 1 277 509                 | 6 545 351                 |
|          | National Government Grants                                       | 31 528                    | 1 434 321                 |
|          | Provincial Government Grants                                     | 1 245 981                 | 5 111 030                 |
|          | <b>Less: Grants spend but not yet received</b>                   | 9 258 887                 | 15 678 100                |
|          | National Government Grants                                       | 9 089 318                 | 15 577 100                |
|          | Provincial Government Grants                                     | 169 569                   | 101 000                   |
|          | <b>Total Conditional Grants and Receipts</b>                     | <u><b>(7 981 378)</b></u> | <u><b>(9 132 749)</b></u> |
|          | Please refer to Note 27 for more information on specific grants. |                           |                           |
| <b>8</b> | <b>VAT</b>                                                       |                           |                           |
|          | <b>VAT PAYABLE</b>                                               |                           |                           |
|          | VAT Payable                                                      | -                         | -                         |
|          | VAT output in suspense                                           | 545 785                   | 2 042 501                 |
|          | <b>Total Vat payable</b>                                         | <u><b>545 785</b></u>     | <u><b>2 042 501</b></u>   |
|          | <b>VAT RECEIVABLE</b>                                            |                           |                           |
|          | VAT input in suspense                                            | 4 585 102                 | 4 436 794                 |
|          | <b>Total VAT receivable</b>                                      | <u><b>4 585 102</b></u>   | <u><b>4 436 794</b></u>   |
|          | <b>NET VAT RECEIVABLE/(PAYABLE)</b>                              | <u><b>4 039 317</b></u>   | <u><b>2 394 293</b></u>   |
|          | VAT is receivable/payable on the cash basis.                     |                           |                           |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|          |                                         | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|----------|-----------------------------------------|-------------------|-------------------|
| <b>9</b> | <b>NON-CURRENT ASSETS HELD FOR SALE</b> |                   |                   |
|          | Erven                                   | 4 935 885         | 2 884 238         |
|          |                                         | <b>4 935 885</b>  | <b>2 884 238</b>  |

Council resolved on 18 August 2011 to alienate erven not required for basic service delivery. Council further resolved on 26 March 2014 that Portion 1 of the farm Duivelsberg no. 276 Tulbagh and remainder of the farm Twist Niet no. 274 Tulbagh Road (more commonly known as Rooiheuvel) be alienated in terms of Council's supply chain processes, within the 2014 / 2015 financial year.

**10 NON-CURRENT INVESTMENTS**

**Unlisted**

Investment in Joint Ventures - at cost

**Total Non-Current Investments**

|                |                |
|----------------|----------------|
| 105 062        | 105 062        |
| <b>105 062</b> | <b>105 062</b> |

Managements valuations of the unlisted investments are as follows:

Ceres Koekedouw Bestuurskomitee - Joint Venture with Koekedouw Besproeingsraad

|         |         |
|---------|---------|
| 105 062 | 105 062 |
| 105 062 | 105 062 |

The financial statements of the joint venture is summarised as follow:

|                         |             |             |
|-------------------------|-------------|-------------|
| Income                  | 17          | 932 889     |
| Expenditure             | (1 906 744) | (955 136)   |
| Non-current Assets      | 103 826     | 23 590      |
| Current Assets          | 696 470     | 2 315 976   |
| Non-current Liabilities | (1 417 059) | (2 100 495) |
| Current Liabilities     | (1 289 963) | (110 934)   |

Please note that the 2014 figures are preliminary.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 11 PROPERTY, PLANT AND EQUIPMENT

## 11.1 30 JUNE 2014

| Reconciliation of Carrying Value   | Land<br>R  | Buildings<br>R | Infrastructure<br>R | Community<br>R | Lease Assets<br>R | Other<br>R   | Total<br>R    |
|------------------------------------|------------|----------------|---------------------|----------------|-------------------|--------------|---------------|
| Carrying value at 1 July 2013      | 71 136 145 | 98 091 457     | 314 160 446         | 48 086 076     | 528 451           | 23 118 446   | 555 121 021   |
| <b>Cost</b>                        | 71 136 145 | 103 230 128    | 395 593 838         | 49 771 967     | 691 343           | 41 845 777   | 662 269 198   |
| Original Cost                      | 71 136 145 | 103 230 128    | 395 593 838         | 49 771 967     | 691 343           | 41 845 777   | 662 269 198   |
| <b>Accumulated Impairments</b>     | -          | -              | -                   | -              | -                 | (449 892)    | (449 892)     |
| Original Cost                      | -          | -              | -                   | -              | -                 | (449 892)    | (449 892)     |
| <b>Accumulated Depreciation</b>    | -          | (5 138 671)    | (81 433 393)        | (1 685 890)    | (162 892)         | (18 277 439) | (106 698 285) |
| Original Cost                      | -          | (5 138 671)    | (81 433 393)        | (1 685 890)    | (162 892)         | (18 277 439) | (106 698 285) |
| <b>Acquisitions</b>                | -          | 55 374         | 37 316 953          | 17 543 847     | -                 | 4 781 225    | 59 697 400    |
| <b>Transfers</b>                   | -          | -              | -                   | (7 203)        | -                 | 7 203        | -             |
| Cost                               | -          | -              | -                   | (7 203)        | -                 | 7 203        | -             |
| <b>Impairment</b>                  | -          | -              | -                   | -              | -                 | (78 704)     | (78 704)      |
| Impairment                         | -          | -              | -                   | -              | -                 | (78 704)     | (78 704)      |
| <b>Depreciation</b>                | -          | (1 019 025)    | (7 742 306)         | (720 142)      | (230 445)         | (4 647 721)  | (14 359 639)  |
| Normal Depreciation                | -          | (1 019 025)    | (7 742 306)         | (720 142)      | (230 445)         | (4 647 721)  | (14 359 639)  |
| <b>Carrying value of disposals</b> | -          | (547 200)      | (97 291)            | -              | -                 | (102 488)    | (746 979)     |
| Cost                               | -          | (576 000)      | (216 374)           | -              | -                 | (198 499)    | (990 872)     |
| Accumulated Depreciation           | -          | 28 800         | 119 082             | -              | -                 | 96 010       | 243 893       |
| Carrying value at 30 June 2014     | 71 136 145 | 96 580 605     | 343 637 802         | 64 902 579     | 298 006           | 23 077 962   | 599 633 098   |
| <b>Cost</b>                        | 71 136 145 | 102 709 501    | 432 694 418         | 67 308 611     | 691 343           | 46 435 708   | 720 975 726   |
| Original Cost                      | 71 136 145 | 102 709 501    | 432 694 418         | 67 308 611     | 691 343           | 46 435 708   | 720 975 726   |
| <b>Accumulated Impairments</b>     | -          | -              | -                   | -              | -                 | (528 596)    | (528 596)     |
| Original Cost                      | -          | -              | -                   | -              | -                 | (528 596)    | (528 596)     |
| <b>Accumulated Depreciation</b>    | -          | (6 128 896)    | (89 056 616)        | (2 406 032)    | (393 337)         | (22 829 150) | (120 814 032) |
| Original Cost                      | -          | (6 128 896)    | (89 056 616)        | (2 406 032)    | (393 337)         | (22 829 150) | (120 814 032) |





**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| <b>12</b> | <b>INTANGIBLE ASSETS</b>              | <b>2014</b>      | <b>2013</b>      |
|-----------|---------------------------------------|------------------|------------------|
|           |                                       | <b>R</b>         | <b>R</b>         |
|           | <b>Computer Software</b>              |                  |                  |
|           | <b>Net Carrying amount at 1 July</b>  | <b>1 858 502</b> | <b>1 609 594</b> |
|           | Cost                                  | 4 032 772        | 3 147 576        |
|           | Accumulated Amortisation              | (2 174 270)      | (1 537 982)      |
|           | Accumulated Impairment                | -                | -                |
|           | Additions                             | 116 241          | 885 196          |
|           | Amortisation for Year                 | (599 301)        | (636 288)        |
|           | <b>Net Carrying amount at 30 June</b> | <b>1 375 442</b> | <b>1 858 502</b> |
|           | Cost                                  | 4 149 014        | 4 032 772        |
|           | Accumulated Amortisation              | (2 773 571)      | (2 174 270)      |

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

|                                                              |                  |
|--------------------------------------------------------------|------------------|
| Cost                                                         | 4 032 772        |
| Accumulated amortisation                                     | (2 174 270)      |
| Total not previously recognised now restated retrospectively | <b>1 858 502</b> |

The following material intangible assets are included in the carrying value above

| <u>Description</u>                    | <u>Remaining Amortisation<br/>Period</u> | <u>Carrying Value</u> |           |
|---------------------------------------|------------------------------------------|-----------------------|-----------|
| Microsoft Office and Windows software | 5                                        | 1 375 442             | 1 858 502 |

No intangible assets were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

| <b>13</b> | <b>INVESTMENT PROPERTY</b>            | <b>48 011 630</b> | <b>48 299 923</b> |
|-----------|---------------------------------------|-------------------|-------------------|
|           | <b>Net Carrying amount at 1 July</b>  |                   |                   |
|           | Cost                                  | 49 452 507        | 49 452 507        |
|           | Accumulated Depreciation              | (1 440 877)       | (1 152 584)       |
|           | Disposals                             | (480 121)         | -                 |
|           | Depreciation for the year             | (294 871)         | (288 292)         |
|           | Transfers                             | (2 051 647)       | -                 |
|           | <b>Net Carrying amount at 30 June</b> | <b>45 184 991</b> | <b>48 011 630</b> |
|           | Cost                                  | 46 868 386        | 49 452 507        |
|           | Accumulated Depreciation              | (1 683 395)       | (1 440 877)       |

| <b>14</b> | <b>HERITAGE ASSETS</b>                | <b>550 000</b> | <b>550 000</b> |
|-----------|---------------------------------------|----------------|----------------|
|           | <b>Net Carrying amount at 1 July</b>  |                |                |
|           | Cost                                  | 550 000        | 550 000        |
|           | <b>Net Carrying amount at 30 June</b> | <b>550 000</b> | <b>550 000</b> |
|           | Cost                                  | 550 000        | 550 000        |

Heritage assets are carried at its cost less any accumulated impairment losses

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|           |                                                                                                                                                                                                                                                                                                              | <b>2014</b>         | <b>2013</b>       |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
|           |                                                                                                                                                                                                                                                                                                              | <b>R</b>            | <b>R</b>          |
| <b>15</b> | <b>OPERATING LEASE ARRANGEMENTS</b>                                                                                                                                                                                                                                                                          |                     |                   |
|           | <b>The Municipality as Lessor (Asset)</b>                                                                                                                                                                                                                                                                    |                     |                   |
|           | <b>Balance on 1 July</b>                                                                                                                                                                                                                                                                                     | 28 049              | 31 997            |
|           | Movement during the year                                                                                                                                                                                                                                                                                     | (2 601)             | (3 947)           |
|           | <b>Balance on 30 June</b>                                                                                                                                                                                                                                                                                    | <b>25 448</b>       | <b>28 050</b>     |
|           | At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:                                                                                                                                              |                     |                   |
|           | Up to 1 Year                                                                                                                                                                                                                                                                                                 | 94 706              | 35 662            |
|           | 1 to 5 Years                                                                                                                                                                                                                                                                                                 | 231 387             | 102 892           |
|           | <b>Total Operating Lease Arrangements</b>                                                                                                                                                                                                                                                                    | <b>326 092</b>      | <b>138 554</b>    |
|           | This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.                                                                                                                                       |                     |                   |
|           | The leases are in respect of land and buildings being leased out for periods ranging until 2016                                                                                                                                                                                                              |                     |                   |
| <b>16</b> | <b>CAPITALISED RESTORATION COST</b>                                                                                                                                                                                                                                                                          |                     |                   |
|           | <b>Net Carrying amount at 1 July</b>                                                                                                                                                                                                                                                                         | <b>1 685 617</b>    | <b>865 023</b>    |
|           | Cost                                                                                                                                                                                                                                                                                                         | 11 496 577          | 9 865 461         |
|           | Accumulated Depreciation                                                                                                                                                                                                                                                                                     | (9 810 960)         | (9 000 438)       |
|           | Acquisitions                                                                                                                                                                                                                                                                                                 | 396 760             | 1 631 116         |
|           | Depreciation for the year                                                                                                                                                                                                                                                                                    | (914 917)           | (810 522)         |
|           | <b>Net Carrying amount at 30 June</b>                                                                                                                                                                                                                                                                        | <b>1 167 460.50</b> | <b>1 685 617</b>  |
|           | Cost                                                                                                                                                                                                                                                                                                         | 11 893 337          | 11 496 577        |
|           | Accumulated Depreciation                                                                                                                                                                                                                                                                                     | (10 725 877)        | (9 810 960)       |
| <b>17</b> | <b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>                                                                                                                                                                                                                                                                   |                     |                   |
|           | Trade Payables                                                                                                                                                                                                                                                                                               | 24 444 818          | 34 340 588        |
|           | Deposits: Other                                                                                                                                                                                                                                                                                              | 791 505             | 606 517           |
|           | Interest Accrued                                                                                                                                                                                                                                                                                             | 918 795             | 1 118 806         |
|           | Other Creditors                                                                                                                                                                                                                                                                                              | 679 310             | 355 585           |
|           | Library books                                                                                                                                                                                                                                                                                                | 14 960              | 11 238            |
|           | Payments Received in Advance                                                                                                                                                                                                                                                                                 | 4 581 862           | 3 638 724         |
|           | Pre-paid Electricity                                                                                                                                                                                                                                                                                         | 640 981             | 640 981           |
|           | Retentions                                                                                                                                                                                                                                                                                                   | 5 268 233           | 4 414 216         |
|           | <b>Total Trade Payables</b>                                                                                                                                                                                                                                                                                  | <b>37 340 464</b>   | <b>45 126 655</b> |
|           | Payables are being recognised net of any discounts                                                                                                                                                                                                                                                           |                     |                   |
|           | Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. |                     |                   |
|           | The carrying value of trade and other payables approximates its fair value                                                                                                                                                                                                                                   |                     |                   |
|           | Sundry deposits include hall, builders and housing Deposits.                                                                                                                                                                                                                                                 |                     |                   |
| <b>18</b> | <b>CONSUMER DEPOSITS</b>                                                                                                                                                                                                                                                                                     |                     |                   |
|           | Water and Electricity                                                                                                                                                                                                                                                                                        | 2 040 705           | 1 862 631         |
|           | <b>Total Consumer Deposits</b>                                                                                                                                                                                                                                                                               | <b>2 040 705</b>    | <b>1 862 631</b>  |
|           | The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.                                                                                                                                                                                                |                     |                   |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| 19 | <b>CURRENT PROVISIONS</b>                                     | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|----|---------------------------------------------------------------|-------------------|-------------------|
|    | Current Portion of Rehabilitation of Landfill-sites - Note 23 | 16 656 258        | 6 791 539         |
|    | <b>Total Provisions</b>                                       | <b>16 656 258</b> | <b>6 791 539</b>  |

| 20 | <b>CURRENT EMPLOYEE BENEFITS</b>                          |                   |                   |
|----|-----------------------------------------------------------|-------------------|-------------------|
|    | Current Portion of Post Retirement Benefits - Note 24     | 1 758 000         | 1 522 000         |
|    | Current Portion of Long-Service Provisions - Note 24      | 820 000           | 565 000           |
|    | Current Portion of Ex-gratia Pension Provisions - Note 24 | 54 000            | 105 000           |
|    | Staff Leave                                               | 6 673 194         | 6 675 642         |
|    | Performance Bonuses                                       | 690 395           | 930 974           |
|    | Staff Bonuses                                             | 2 905 791         | 2 727 498         |
|    | <b>Total Current Employee Benefits</b>                    | <b>12 901 380</b> | <b>12 526 114</b> |

The movement in current employee benefits are reconciled as follows:

**Staff Leave**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Balance at beginning of year    | 6 675 643        | 6 634 900        |
| Contribution to current portion | 634 132          | 290 590          |
| Expenditure incurred            | (636 580)        | (249 847)        |
| Balance at end of year          | <b>6 673 195</b> | <b>6 675 643</b> |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

**CURRENT EMPLOYEE BENEFITS CONTINUED**

**Performance Bonuses**

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Balance at beginning of year    | 930 974        | 620 471        |
| Contribution to current portion | 516 750        | 310 503        |
| Expenditure incurred            | (757 329)      | -              |
| Balance at end of year          | <b>690 395</b> | <b>930 974</b> |

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

**Staff Bonuses**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Balance at beginning of year    | 2 727 497        | 2 496 695        |
| Contribution to current portion | 5 092 511        | 4 714 107        |
| Expenditure incurred            | (4 914 217)      | (4 483 305)      |
| Balance at end of year          | <b>2 905 791</b> | <b>2 727 497</b> |

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|           |                                                                                                                                                                          | <b>2014<br/>R</b>  | <b>2013<br/>R</b>  |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>21</b> | <b>UNSPENT PUBLIC CONTRIBUTIONS</b>                                                                                                                                      |                    |                    |
|           | China - Water meters                                                                                                                                                     | 168 362            | 222 677            |
|           | Essen Belgium                                                                                                                                                            | 851 098            | 401 987            |
|           | <b>Total Unspent Public Contributions</b>                                                                                                                                | <b>1 019 460</b>   | <b>624 664</b>     |
|           | <b>Reconciliation of public contributions</b>                                                                                                                            |                    |                    |
|           | <u>China - Water meters</u>                                                                                                                                              |                    |                    |
|           | Opening balance                                                                                                                                                          | 222 677            | 276 740            |
|           | Conditions met - Transferred to revenue                                                                                                                                  | (54 315)           | (54 063)           |
|           | <b>Closing balance</b>                                                                                                                                                   | <b>168 362</b>     | <b>222 677</b>     |
|           | 3580 Water meters were donated by the Chinese Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households. |                    |                    |
|           | <u>Essen Belgium</u>                                                                                                                                                     |                    |                    |
|           | Opening balance                                                                                                                                                          | 401 987            | 422 901            |
|           | Contributions received                                                                                                                                                   | 754 540            | 247 627            |
|           | Conditions met - Transferred to revenue                                                                                                                                  | (305 429)          | (268 541)          |
|           | <b>Closing balance</b>                                                                                                                                                   | <b>851 098</b>     | <b>401 987</b>     |
|           | A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.                     |                    |                    |
| <b>22</b> | <b>LONG-TERM LIABILITIES</b>                                                                                                                                             |                    |                    |
|           | Annuity Loans - At amortised cost                                                                                                                                        | 37 019 215         | 44 376 731         |
|           | Capitalised Lease Liability - At amortised cost                                                                                                                          | 297 651            | 521 937            |
|           |                                                                                                                                                                          | <b>37 316 866</b>  | <b>44 898 668</b>  |
|           | Current Portion transferred to Current Liabilities                                                                                                                       | <b>(8 290 463)</b> | <b>(7 545 052)</b> |
|           | Annuity Loans - At amortised cost                                                                                                                                        | (8 046 353)        | (7 320 766)        |
|           | Capitalised Lease Liability - At amortised cost                                                                                                                          | (244 110)          | (224 286)          |
|           |                                                                                                                                                                          | <b>29 026 403</b>  | <b>37 353 616</b>  |
|           | Unamortised charges on loans                                                                                                                                             | <b>(3 317 494)</b> | <b>(5 018 131)</b> |
|           | Balance 1 July                                                                                                                                                           | (5 018 130)        | (6 839 424)        |
|           | Adjustment for the period                                                                                                                                                | 1 700 636          | 1 821 293          |
|           | <b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>                                                                          | <b>25 708 909</b>  | <b>32 335 485</b>  |
|           | Refer below for maturity dates of long term liabilities:                                                                                                                 |                    |                    |
|           | The obligations under annuity loans are scheduled below                                                                                                                  |                    |                    |
|           | Amounts payable under annuity loans:                                                                                                                                     |                    |                    |
|           | Payable within one year                                                                                                                                                  | 12 222 610         | 12 414 777         |
|           | Payable within two to five years                                                                                                                                         | 30 844 208         | 40 516 170         |
|           | Payable after five years                                                                                                                                                 | 5 549 274          | 8 177 263          |
|           |                                                                                                                                                                          | 48 616 092         | 61 108 210         |
|           | <b>Less:</b> Future finance obligations                                                                                                                                  | (11 596 877)       | (16 731 478)       |
|           | <b>Present value of annuity obligations</b>                                                                                                                              | <b>37 019 215</b>  | <b>44 376 732</b>  |
|           | Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.                                            |                    |                    |
|           | The obligations under finance leases are scheduled below:                                                                                                                |                    |                    |
|           | Amounts payable under finance leases:                                                                                                                                    |                    |                    |
|           | Payable within one year                                                                                                                                                  | 260 046            | 260 046            |
|           | Payable within two to five years                                                                                                                                         | 54 149             | 314 195            |
|           |                                                                                                                                                                          | 314 195            | 574 241            |
|           | <b>Less:</b> Future finance obligations                                                                                                                                  | (16 543)           | (52 304)           |
|           | <b>Present value of lease obligations</b>                                                                                                                                | <b>297 652</b>     | <b>521 937</b>     |

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

23 NON-CURRENT PROVISIONS

|                                                |                  |                   |
|------------------------------------------------|------------------|-------------------|
| Provision for Rehabilitation of Landfill-sites | 8 484 964        | 16 774 617        |
| <b>Total Non-current Provisions</b>            | <b>8 484 964</b> | <b>16 774 617</b> |

The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The expected closing dates of the sites are:

Ceres - 2010 (The site is longer in operation)

Prince Alfred's Hamlet - 2014

Op-die- Berg - 2014

Tulbagh - 2014

Wolseley - 2020

**Landfill Sites**

|                                                                          |                   |                   |
|--------------------------------------------------------------------------|-------------------|-------------------|
| Balance 1 July                                                           | 23 566 155        | 21 557 597        |
| Contribution for the year                                                | 396 759           | 1 032 561         |
| Unwinding of Interest                                                    | 1 178 308         | 975 998           |
| <b>Total provision 30 June</b>                                           | <b>25 141 222</b> | <b>23 566 156</b> |
| <b>Less:</b> Transfer of Current Portion to Current Provisions - Note 19 | (16 656 258)      | (6 791 539)       |
| <b>Balance 30 June</b>                                                   | <b>8 484 964</b>  | <b>16 774 617</b> |

24 EMPLOYEE BENEFITS

|                                                       |                   |                   |
|-------------------------------------------------------|-------------------|-------------------|
| Post Retirement Benefits                              | 56 539 000        | 52 408 000        |
| Long Service Awards                                   | 4 319 000         | 4 511 000         |
| Ex-Gratia Pension Benefits                            | 264 000           | 235 000           |
| <b>Total Non-current Employee Benefit Liabilities</b> | <b>61 122 000</b> | <b>57 154 000</b> |

**Post Retirement Benefits**

|                                                    |                   |                   |
|----------------------------------------------------|-------------------|-------------------|
| Balance 1 July                                     | 53 930 000        | 56 847 812        |
| Contribution for the year                          | 2 719 000         | 2 986 400         |
| Interest Cost                                      | 4 304 000         | 4 559 400         |
| Expenditure for the year                           | (1 460 666)       | (1 371 126)       |
| Actuarial Loss/(Gain)                              | (1 195 334)       | (9 092 486)       |
| <b>Total post retirement benefits 30 June</b>      | <b>58 297 000</b> | <b>53 930 000</b> |
| <b>Less:</b> Transfer of Current Portion - Note 20 | (1 758 000)       | (1 522 000)       |
| <b>Balance 30 June</b>                             | <b>56 539 000</b> | <b>52 408 000</b> |

**Long Service Awards**

|                                                    |                  |                  |
|----------------------------------------------------|------------------|------------------|
| Balance 1 July                                     | 5 076 000        | 2 138 041        |
| Contribution for the year                          | 424 000          | 279 377          |
| Interest Cost                                      | 377 000          | 126 572          |
| Expenditure for the year                           | (475 780)        | (339 040)        |
| Actuarial Loss/(Gain)                              | (262 220)        | 2 871 050        |
| <b>Total long service 30 June</b>                  | <b>5 139 000</b> | <b>5 076 000</b> |
| <b>Less:</b> Transfer of Current Portion - Note 20 | (820 000)        | (565 000)        |
| <b>Balance 30 June</b>                             | <b>4 319 000</b> | <b>4 511 000</b> |

**Ex-Gratia Pensions**

|                                                    |                |                |
|----------------------------------------------------|----------------|----------------|
| Balance 1 July                                     | 340 000        | 337 065        |
| Contribution for the year                          | -              | 4 044          |
| Interest Cost                                      | 35 000         | 20 559         |
| Expenditure for the year                           | (22 788)       | (105 000)      |
| Actuarial Loss/(Gain)                              | (34 212)       | 83 332         |
| <b>Total Ex-Gratia 30 June</b>                     | <b>318 000</b> | <b>340 000</b> |
| <b>Less:</b> Transfer of Current Portion - Note 20 | (54 000)       | (105 000)      |
| <b>Balance 30 June</b>                             | <b>264 000</b> | <b>235 000</b> |

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

|                                                    |                   |                   |
|----------------------------------------------------|-------------------|-------------------|
| Balance 1 July                                     | 59 346 000        | 59 322 918        |
| Contribution for the year                          | 3 143 000         | 3 269 821         |
| Interest cost                                      | 4 716 000         | 4 706 531         |
| Expenditure for the year                           | (1 959 234)       | (1 815 166)       |
| Actuarial Loss/(Gain)                              | (1 491 766)       | (6 138 104)       |
| <b>Total employee benefits 30 June</b>             | <b>63 754 000</b> | <b>59 346 000</b> |
| <b>Less:</b> Transfer of Current Portion - Note 20 | (2 632 000)       | (2 192 000)       |
| <b>Balance 30 June</b>                             | <b>61 122 000</b> | <b>57 154 000</b> |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| EMPLOYEE BENEFITS CONTINUED                                                                                                                                     |                   | 2014<br>R         | 2013<br>R         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| <b>24.1 Post-employment Health Care Benefits</b>                                                                                                                |                   |                   |                   |
| The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:                                                        |                   |                   |                   |
| In-service (employee) members                                                                                                                                   |                   | 198               | 255               |
| In-service (employee) non-members                                                                                                                               |                   | 298               | 248               |
| Continuation members (e.g. Retirees, widows, orphans)                                                                                                           |                   | 56                | 55                |
| <b>Total Members</b>                                                                                                                                            |                   | <b>552</b>        | <b>558</b>        |
|                                                                                                                                                                 |                   | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
| The liability in respect of past service has been estimated to be as follows                                                                                    |                   |                   |                   |
| In-service members                                                                                                                                              |                   | 36 039 000        | 35 087 000        |
| Continuation members                                                                                                                                            |                   | 22 258 000        | 18 843 000        |
| <b>Total Liability</b>                                                                                                                                          |                   | <b>58 297 000</b> | <b>53 930 000</b> |
| The liability in respect of periods commencing prior to the comparative year has been estimated as follows:                                                     |                   | <b>2012<br/>R</b> | <b>2011<br/>R</b> |
|                                                                                                                                                                 |                   |                   | <b>2010<br/>R</b> |
| In-service members                                                                                                                                              | 38 525 020        | 32 437 101        | 26 124 600        |
| Continuation members                                                                                                                                            | 18 322 792        | 18 578 573        | 10 151 587        |
| <b>Total Liability</b>                                                                                                                                          | <b>56 847 812</b> | <b>51 015 674</b> | <b>36 276 187</b> |
| The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:                                                 |                   |                   |                   |
| Bonitas;<br>LA Health<br>Samwumed; and<br>Keyhealth.                                                                                                            |                   |                   |                   |
| Key actuarial assumptions used:                                                                                                                                 |                   | <b>2014</b>       | <b>2013</b>       |
| <b>i) Rate of interest</b>                                                                                                                                      |                   |                   |                   |
| Discount rate                                                                                                                                                   |                   | 8.94%             | 7.89%             |
| Health Care Cost Inflation Rate                                                                                                                                 |                   | 8.05%             | 7.14%             |
| Net Effective Discount Rate                                                                                                                                     |                   | 0.82%             | 0.70%             |
| <b>ii) Mortality rates</b>                                                                                                                                      |                   |                   |                   |
| The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries                                                                                 |                   |                   |                   |
| <b>iii) Normal retirement age</b>                                                                                                                               |                   |                   |                   |
| It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.          |                   |                   |                   |
| <b>The amounts recognised in the Statement of Financial Position are as follows:</b>                                                                            |                   | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
| Present value of fund obligations                                                                                                                               |                   | 58 297 000        | 53 930 000        |
| <b>Net liability/(asset)</b>                                                                                                                                    |                   | <b>58 297 000</b> | <b>53 930 000</b> |
| The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a). |                   |                   |                   |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**EMPLOYEE BENEFITS CONTINUED**

|                                                               | <b>2014</b>       | <b>2013</b>       |
|---------------------------------------------------------------|-------------------|-------------------|
|                                                               | <b>R</b>          | <b>R</b>          |
| <b>Reconciliation of present value of fund obligation:</b>    |                   |                   |
| Present value of fund obligation at the beginning of the year | 53 930 000        | 56 847 812        |
| Total expenses                                                | 5 562 334         | 6 174 674         |
| Current service cost                                          | 2 719 000         | 2 986 400         |
| Interest Cost                                                 | 4 304 000         | 4 559 400         |
| Benefits Paid                                                 | (1 460 666)       | (1 371 126)       |
| Actuarial (gains)/losses                                      | (1 195 334)       | (9 092 486)       |
| Present value of fund obligation at the end of the year       | 58 297 000        | 53 930 000        |
| <b>Less:</b> Transfer of Current Portion - Note 20            | (1 758 000)       | (1 522 000)       |
| <b>Balance 30 June</b>                                        | <b>56 539 000</b> | <b>52 408 000</b> |

**Sensitivity Analysis on the Accrued Liability**

| <b>Assumption</b>   | <b>In-service members liability (R'000)</b> | <b>Continuation members liability (R'000)</b> | <b>Total liability (R'000)</b> |
|---------------------|---------------------------------------------|-----------------------------------------------|--------------------------------|
| Central Assumptions | 36 039                                      | 22 258                                        | 58 297                         |

The effect of movements in the assumptions are as follows:

| <b>Assumption</b>     | <b>Change</b> | <b>In-service members liability (R'000)</b> | <b>Continuation members liability (R'000)</b> | <b>Total liability (R'000)</b> | <b>% change</b> |
|-----------------------|---------------|---------------------------------------------|-----------------------------------------------|--------------------------------|-----------------|
| Central assumptions   |               | 36 039                                      | 22 258                                        | 58 297                         |                 |
| Health care inflation | 1%            | 43 575                                      | 24 628                                        | 68 203                         | 17              |
| Health care inflation | -1%           | 30 089                                      | 20 220                                        | 50 309                         | -14             |
| Mortality rate        | 20%           | 33 460                                      | 20 588                                        | 54 048                         | -7              |
| Mortality rate        | -20%          | 39 241                                      | 24 398                                        | 63 639                         | 9               |

**24.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

|                                                                                          |             |             |
|------------------------------------------------------------------------------------------|-------------|-------------|
| As at year end, the following number of employees were eligible for Long Service Bonuses | 496         | 504         |
|                                                                                          | <b>2014</b> | <b>2013</b> |
| <b>i) Rate of interest</b>                                                               |             |             |
| Discount rate                                                                            | 7.96%       | 7.40%       |
| General Salary Inflation (long-term)                                                     | 7.33%       | 6.66%       |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses               | 0.59%       | 0.69%       |

|  |             |             |
|--|-------------|-------------|
|  | <b>2014</b> | <b>2013</b> |
|  | <b>R</b>    | <b>R</b>    |

The amounts recognised in the Statement of Financial Position are as follows:

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 5 139 000        | 5 076 000        |
| <b>Net liability</b>              | <b>5 139 000</b> | <b>5 076 000</b> |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

|                      |                  |                  |                  |
|----------------------|------------------|------------------|------------------|
|                      | <b>2012</b>      | <b>2011</b>      | <b>2010</b>      |
|                      | <b>R</b>         | <b>R</b>         | <b>R</b>         |
| <b>Net liability</b> | <b>2 138 041</b> | <b>1 806 355</b> | <b>1 522 979</b> |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**EMPLOYEE BENEFITS CONTINUED**

|                                                               | <b>2014</b>      | <b>2013</b>      |
|---------------------------------------------------------------|------------------|------------------|
|                                                               | <b>R</b>         | <b>R</b>         |
| <b>Reconciliation of present value of fund obligation:</b>    |                  |                  |
| Present value of fund obligation at the beginning of the year | 5 076 000        | 2 138 041        |
| Total expenses                                                | 325 220          | 66 909           |
| Current service cost                                          | 424 000          | 279 377          |
| Interest Cost                                                 | 377 000          | 126 572          |
| Benefits Paid                                                 | (475 780)        | (339 040)        |
| Actuarial (gains)/losses                                      | (262 220)        | 2 871 050        |
| Present value of fund obligation at the end of the year       | 5 139 000        | 5 076 000        |
| <b>Less:</b> Transfer of Current Portion - Note 20            | (820 000)        | (565 000)        |
| <b>Balance 30 June</b>                                        | <b>4 319 000</b> | <b>4 511 000</b> |

**Sensitivity Analysis on the Unfunded Accrued Liability**

| <b>Assumption</b>        | <b>Change</b> | <b>Liability (R'000)</b> | <b>% change</b> |
|--------------------------|---------------|--------------------------|-----------------|
| Central assumptions      |               | 5 139                    |                 |
| General salary inflation | 1.00%         | 5 496                    | 7%              |
| General salary inflation | -1.00%        | 4 814                    | -6%             |
| Withdrawal rates         | 20%           | 4 858                    | -5%             |
| Withdrawal rates         | -20%          | 5 454                    | 6%              |

**24.3 Ex-Gratia Pension Benefits**

The Ex-Gratia Pension Benefits plans are defined benefit plans.

|                                                                                                |    |    |
|------------------------------------------------------------------------------------------------|----|----|
| As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits | 38 | 42 |
|------------------------------------------------------------------------------------------------|----|----|

**i) Rate of interest**

|                                                                            |       |       |
|----------------------------------------------------------------------------|-------|-------|
| Discount rate                                                              | 7.96% | 7.40% |
| General Salary Inflation (long-term)                                       | 7.58% | 6.91% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.35% | 0.46% |

|                                                                                                             | <b>2014</b>    | <b>2013</b>    |
|-------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                             | <b>R</b>       | <b>R</b>       |
| <b>The amounts recognised in the Statement of Financial Position are as follows</b>                         |                |                |
| Present value of fund obligations                                                                           | 318 000        | 340 000        |
| <b>Net liability</b>                                                                                        | <b>318 000</b> | <b>340 000</b> |
| The liability in respect of periods commencing prior to the comparative year has been estimated as follows: |                |                |
|                                                                                                             | <b>2012</b>    | <b>2011</b>    |
|                                                                                                             | <b>R</b>       | <b>R</b>       |
| <b>Net liability</b>                                                                                        | <b>337 065</b> | <b>360 815</b> |

|                                                               | <b>2014</b>    | <b>2013</b>    |
|---------------------------------------------------------------|----------------|----------------|
|                                                               | <b>R</b>       | <b>R</b>       |
| <b>Reconciliation of present value of fund obligation:</b>    |                |                |
| Present value of fund obligation at the beginning of the year | 340 000        | 337 065        |
| Total expenses                                                | 12 212         | (80 397)       |
| Current service cost                                          | -              | 4 044          |
| Interest Cost                                                 | 35 000         | 20 559         |
| Benefits Paid                                                 | (22 788)       | (105 000)      |
| Actuarial (gains)/losses                                      | (34 212)       | 83 332         |
| Present value of fund obligation at the end of the year       | 318 000        | 340 000        |
| <b>Less:</b> Transfer of Current Portion - Note               | (54 000)       | (105 000)      |
| <b>Balance 30 June</b>                                        | <b>264 000</b> | <b>235 000</b> |



WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

EMPLOYEE BENEFITS CONTINUED

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption               | Change | Total liability<br>(R'000) | % change |
|--------------------------|--------|----------------------------|----------|
| Central assumptions      |        | 318                        |          |
| General salary inflation | +1%    | 325                        | 1%       |
| General salary inflation | -1%    | 313                        | -1%      |
| Withdrawal rates         | +20%   | 315                        | 2%       |
| Withdrawal rates         | -20%   | 322                        | 2%       |

|                              |             |             |
|------------------------------|-------------|-------------|
| <b>24.4 Retirement funds</b> | <b>2014</b> | <b>2013</b> |
|                              | <b>R</b>    | <b>R</b>    |

**CAPE JOINT PENSION FUND**

The funding level of the CJPF (Pensions Account section) was 105.1% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The Fund is in a sound financial condition at the valuation date. As at the 30 June 2013 valuation date (in totality) the members contributed at a rate of 9% of pensionable salaries and (in totality) the Local Authorities contributed at a rate of 18% of pensionable salaries.

|                                                                         |         |         |
|-------------------------------------------------------------------------|---------|---------|
| Contributions paid recognised in the Statement of Financial Performance | 346 565 | 319 071 |
|-------------------------------------------------------------------------|---------|---------|

**SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND**

The funding level at the most recent actuarial valuation (1 July 2012) of 100% was calculated on a Discounted Cash Flow (DCF) basis. The funding level has improved since the previous valuation. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 15.26%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs.

|                                                                         |         |         |
|-------------------------------------------------------------------------|---------|---------|
| Contributions paid recognised in the Statement of Financial Performance | 268 669 | 262 930 |
|-------------------------------------------------------------------------|---------|---------|

**DEFINED CONTRIBUTION FUNDS**

Council contributes to: the Government Employees Pension Fund; Municipal Council Pension Fund; National Fund for Municipal Workers (IMATU); and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

|                                                   |                   |                  |
|---------------------------------------------------|-------------------|------------------|
| Cape Joint Retirement Fund                        | 8 145 699         | 6 440 538        |
| Municipal Councillors Pension Fund                | 174 691           | 191 645          |
| Nasionale Fonds Vir Munisipale Werknemers (IMATU) | 92 426            | 94 286           |
| SAMWU National Provident Fund                     | 2 588 150         | 2 431 021        |
|                                                   | <b>11 000 967</b> | <b>9 157 490</b> |

**25 NET ASSET RESERVES**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Capital Replacement Reserve     | 9 218 922        | 8 565 886        |
| <b>Total Net Asset Reserves</b> | <b>9 218 922</b> | <b>8 565 886</b> |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| 26 |                                       | <b>2014</b>          | <b>2013</b>          |
|----|---------------------------------------|----------------------|----------------------|
|    |                                       | <b>R</b>             | <b>R</b>             |
|    | <b>PROPERTY RATES</b>                 |                      |                      |
|    | <u><b>Actual</b></u>                  |                      |                      |
|    | <b>Rates Levied</b>                   | 48 188 638           | 44 709 659           |
|    | Business                              | 8 146 910            | 7 807 814            |
|    | Building Clauses                      | 87 916               | 106 371              |
|    | Rural                                 | 11 494 202           | 10 163 054           |
|    | Industrial                            | 5 279 616            | 4 532 741            |
|    | Residential                           | 16 672 881           | 16 724 092           |
|    | State                                 | 5 234 551            | 4 495 817            |
|    | Vacant Land                           | 1 265 076            | 871 604              |
|    | Public Service Infrastructure         | 7 486                | 8 166                |
|    | Less: Revenue Forgone                 | (538 937)            | (479 188)            |
|    | <b>Total Assessment Rates</b>         | <b>47 649 701</b>    | <b>44 230 471</b>    |
|    | <u><b>Valuations - 1 JULY</b></u>     |                      |                      |
|    | <b>Rateable Land and Buildings</b>    |                      |                      |
|    | Residential Property                  | 2 573 428 670        | 2 414 481 366        |
|    | Commercial Property                   | 635 405 000          | 674 844 700          |
|    | Industrial Property                   | 408 034 000          | 322 615 000          |
|    | Informal Property                     | 29 805 000           | 22 246 000           |
|    | Agricultural Purposes                 | 5 164 284 500        | 3 802 219 623        |
|    | State - National/ Provincial Services | 407 331 000          | 320 327 000          |
|    | Public Service Infrastructure         | 6 576 000            |                      |
|    | Municipal Property                    |                      | 258 255 260          |
|    | Vacant Property                       | 123 502 400          | 89 618 884           |
|    | <b>Total Valuation</b>                | <b>9 348 366 570</b> | <b>7 904 607 833</b> |

**PROPERTY RATES CONTINUED**

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

**Rates:**

|                        |          |          |
|------------------------|----------|----------|
| Residential            | 0.680c/R | 0.740c/R |
| Commercial             | 1.292c/R | 1.405c/R |
| Industrial             | 1.292c/R | 1.405c/R |
| Bona Fide Agricultural | 0.170c/R | 0.185c/R |

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

| 27 |                                              | <b>2014</b>        | <b>2013</b>        |
|----|----------------------------------------------|--------------------|--------------------|
|    |                                              | <b>R</b>           | <b>R</b>           |
|    | <b>GOVERNMENT GRANTS AND SUBSIDIES</b>       |                    |                    |
|    | <b>Unconditional Grants</b>                  | <b>49 553 000</b>  | <b>46 200 000</b>  |
|    | Equitable Share                              | 49 553 000         | 46 200 000         |
|    | <b>Conditional Grants</b>                    | <b>87 683 955</b>  | <b>99 232 310</b>  |
|    | Grants and donations                         | 87 683 955         | 99 232 310         |
|    | Subsidies                                    | -                  | -                  |
|    | <b>Total Government Grants and Subsidies</b> | <b>137 236 955</b> | <b>145 432 310</b> |
|    | Government Grants and Subsidies - Capital    | 48 136 433         | 73 085 201         |
|    | Government Grants and Subsidies - Operating  | 89 100 522         | 72 347 109         |
|    |                                              | <b>137 236 955</b> | <b>145 432 310</b> |

Please refer to appendix D for more detailed disclosure of Government Grants and Subsidies

The Municipality does not expect any significant changes to the level of grants

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| <b>GOVERNMENT GRANTS AND SUBSIDIES CONTINUED</b>               | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>27.1 Equitable share</b>                                    |                   |                   |
| Opening balance                                                | -                 | -                 |
| Grants received                                                | 48 119 000        | 46 200 000        |
| Conditions met - Operating                                     | (49 553 000)      | (46 200 000)      |
| Write off / Transfers                                          | 1 434 000         | -                 |
| Conditions still to be met/(Grant expenditure to be recovered) | <u>-</u>          | <u>-</u>          |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**27.2 Local Government Financial Management Grant (FMG)**

|                                                                |                  |                        |
|----------------------------------------------------------------|------------------|------------------------|
| Opening balance                                                | (60 284)         | (422 255)              |
| Grants received                                                | 1 300 000        | 1 417 188              |
| Conditions met - Operating                                     | (1 126 330)      | (1 055 217)            |
| Conditions met - Capital                                       | (113 292)        | -                      |
| Conditions still to be met/(Grant expenditure to be recovered) | <u><b>94</b></u> | <u><b>(60 284)</b></u> |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**27.3 Municipal Systems Improvement Grant**

|                                                                |                     |                 |
|----------------------------------------------------------------|---------------------|-----------------|
| Opening balance                                                | -                   | 106 274         |
| Grants received                                                | 890 000             | 800 000         |
| Conditions met - Operating                                     | (296 989)           | (162 824)       |
| Conditions met - Capital                                       | (591 856)           | (743 450)       |
| Conditions still to be met/(Grant expenditure to be recovered) | <u><b>1 155</b></u> | <u><b>-</b></u> |

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**27.4 Municipal Infrastructure Grant (MIG)**

|                                                                |                         |                         |
|----------------------------------------------------------------|-------------------------|-------------------------|
| Opening balance                                                | (757 664)               | (804 844)               |
| Grants received                                                | 21 020 000              | 22 112 000              |
| Conditions met - Operating                                     | (2 480 241)             | (2 658 286)             |
| Conditions met - Capital                                       | (18 432 685)            | (19 406 534)            |
| Conditions still to be met/(Grant expenditure to be recovered) | <u><b>(650 590)</b></u> | <u><b>(757 664)</b></u> |

The grant was used to upgrade infrastructure in previously disadvantaged areas.

**27.5 Housing Grants**

|                                                                |                       |                         |
|----------------------------------------------------------------|-----------------------|-------------------------|
| Opening balance                                                | 4 565 539             | 6 193 692               |
| Grants received                                                | 34 589 068            | 23 311 641              |
| Conditions met - Operating                                     | (27 132 065)          | (11 553 893)            |
| Conditions met - Capital                                       | (11 298 107)          | (13 385 901)            |
| Conditions still to be met/(Grant expenditure to be recovered) | <u><b>724 435</b></u> | <u><b>4 565 539</b></u> |

Housing grants was utilised for the development of erven and the erection of top structures.

**27.6 Integrated National Electrification Grant**

|                                                                |                      |                         |
|----------------------------------------------------------------|----------------------|-------------------------|
| Opening balance                                                | (970 041)            | (824 041)               |
| Grants received                                                | 3 000 000            | -                       |
| Conditions met - Operating                                     | -                    | (146 000)               |
| Conditions met - Capital                                       | (2 000 000)          | -                       |
| Conditions still to be met/(Grant expenditure to be recovered) | <u><b>29 959</b></u> | <u><b>(970 041)</b></u> |

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**GOVERNMENT GRANTS AND SUBSIDIES CONTINUED**

|                                                                | <b>2014<br/>R</b>  | <b>2013<br/>R</b>   |
|----------------------------------------------------------------|--------------------|---------------------|
| <b>27.7 Other Grants</b>                                       |                    |                     |
| Opening balance                                                | (11 910 299)       | 3 289 059           |
| Grants received                                                | 29 474 577         | 29 939 637          |
| Conditions met - Operating                                     | (8 516 215)        | (5 605 438)         |
| Conditions met - Capital                                       | (15 700 493)       | (39 533 557)        |
| Conditions still to be met/(Grant expenditure to be recovered) | <b>(6 652 430)</b> | <b>(11 910 299)</b> |

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

**27.8 Total Grants**

|                                                                |                    |                    |
|----------------------------------------------------------------|--------------------|--------------------|
| Opening balance                                                | (9 132 749)        | 7 537 885          |
| Grants received                                                | 138 392 645        | 123 780 466        |
| Conditions met - Operating                                     | (89 104 840)       | (67 381 658)       |
| Conditions met - Capital                                       | (48 136 433)       | (73 069 442)       |
| Write off / Transfers                                          | 1 434 000          | -                  |
| Conditions still to be met/(Grant expenditure to be recovered) | <b>(6 547 377)</b> | <b>(9 132 749)</b> |

Disclosed as follows:

|                                                    |                    |                    |
|----------------------------------------------------|--------------------|--------------------|
| Unspent Conditional Government Grants and Receipts | 1 277 509          | 6 545 351          |
| Unpaid Conditional Government Grants and Receipts  | (9 258 887)        | (15 678 100)       |
|                                                    | <b>(7 981 378)</b> | <b>(9 132 749)</b> |

**28 SERVICE CHARGES**

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Electricity                     | 158 961 480        | 148 438 053        |
| Water                           | 36 609 186         | 30 752 672         |
| Refuse removal                  | 21 877 236         | 20 860 896         |
| Sewerage and Sanitation Charges | 21 276 999         | 20 290 957         |
| Bulk service levies             | 84 809             | 1 120 532          |
|                                 | 238 809 710        | 221 463 110        |
| Less: Revenue Forgone           | (14 430 736)       | (13 619 613)       |
| <b>Total Service Charges</b>    | <b>224 378 974</b> | <b>207 843 497</b> |

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**29 OTHER INCOME**

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Application fees - Town Planning   | 53 131           | 69 862           |
| Building Plan Fees                 | 674 523          | 894 089          |
| Cemetery Fees                      | 180 129          | 194 353          |
| Clip Cards                         | 145 076          | 205 995          |
| Collection Fees                    | 38 041           | 8 792            |
| Damages Income                     | 14 456           | 9 594            |
| Housing                            | 251 279          | 283 027          |
| Industrial Effluent                | 838 618          | 268 933          |
| Insurance Claims Received          | 427 355          | 362 697          |
| Mayor's Golf Day                   | 19 836           | -                |
| Re-connection fees                 | 240 226          | 220 025          |
| Refuse Bags                        | 4 822            | 6 489            |
| Servitudes                         | -                | 880 811          |
| Skills Development Levies received | 152 778          | 381 421          |
| Special Projects                   | 19 360           | 33 840           |
| Sundry Income                      | 538 251          | 716 862          |
| <b>Total Other Income</b>          | <b>3 597 881</b> | <b>4 536 790</b> |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|           |                                                                    |                                |                               |
|-----------|--------------------------------------------------------------------|--------------------------------|-------------------------------|
| <b>30</b> | <b>EMPLOYEE RELATED COSTS</b>                                      | <b>2014<br/>R</b>              | <b>2013<br/>R</b>             |
|           | Salaries and Wages                                                 | 69 918 512                     | 64 378 059                    |
|           | Bargaining Council Levy                                            | 43 523                         | 49 297                        |
|           | Bonuses                                                            | 5 595 228                      | 5 042 542                     |
|           | Contributions For Pensions                                         | 11 175 573                     | 10 043 620                    |
|           | Contributions For Medical Aids                                     | 4 870 724                      | 4 305 233                     |
|           | Contributions For UIF                                              | 674 281                        | 626 503                       |
|           | Ex-Gratia Pension                                                  | -                              | (97 214)                      |
|           | Group Life Insurance                                               | 1 245 062                      | 1 305 810                     |
|           | Housing Benefits and Allowances                                    | 812 200                        | 676 269                       |
|           | Leave Reserve                                                      | 634 132                        | 290 589                       |
|           | Long service awards                                                | 424 000                        | 279 377                       |
|           | Overtime                                                           | 5 443 704                      | 4 559 151                     |
|           | Post Employment Health Care Benefits                               | 2 719 000                      | 2 986 400                     |
|           | Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 3 709 929                      | 3 525 329                     |
|           |                                                                    | <hr/>                          | <hr/>                         |
|           | Less: Employee Cost allocated elsewhere                            | 107 265 868                    | 97 970 965                    |
|           |                                                                    | (214 794)                      | (388 939)                     |
|           | <b>Total Employee Related Costs</b>                                | <hr/> <b>107 051 074</b> <hr/> | <hr/> <b>97 582 026</b> <hr/> |

**KEY MANAGEMENT PERSONNEL**

The Municipal Manager and Directors are appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

***Remuneration of the Municipal Manager***

|                                                                     |                              |                              |
|---------------------------------------------------------------------|------------------------------|------------------------------|
| Annual Remuneration                                                 | 869 950                      | 826 531                      |
| Performance Bonuses                                                 | 308 656                      | -                            |
| Car Allowance                                                       | 108 000                      | 108 000                      |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 218 982                      | 203 056                      |
| <b>Total</b>                                                        | <hr/> <b>1 505 588</b> <hr/> | <hr/> <b>1 137 587</b> <hr/> |

The performance bonus for the 2011/2012 financial year were paid during July 2013 and is included in the performance bonuses paid during the 2013 / 2014 financial year

***Remuneration of the Director Technical Services***

|                                                                     |                              |                            |
|---------------------------------------------------------------------|------------------------------|----------------------------|
| Annual Remuneration                                                 | 727 075                      | 665 061                    |
| Performance Bonuses                                                 | 112 359                      | -                          |
| Travelling Allowance                                                | 198 942                      | 137 500                    |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 3 722                        | 3 128                      |
| <b>Total</b>                                                        | <hr/> <b>1 042 098</b> <hr/> | <hr/> <b>805 689</b> <hr/> |

***Remuneration of the Director Corporate Services***

|                                                                     |                              |                            |
|---------------------------------------------------------------------|------------------------------|----------------------------|
| Annual Remuneration                                                 | 668 962                      | 632 769                    |
| Performance Bonuses                                                 | 229 444                      | -                          |
| Travelling Allowance                                                | 119 363                      | 119 363                    |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 134 169                      | 124 588                    |
| <b>Total</b>                                                        | <hr/> <b>1 151 937</b> <hr/> | <hr/> <b>876 719</b> <hr/> |

The performance bonus for the 2011/2012 financial year were paid during July 2013 and is included in the performance bonuses paid during the 2013 / 2014 financial year.

***Remuneration of the Director Financial Services***

|                                                                     |                              |                            |
|---------------------------------------------------------------------|------------------------------|----------------------------|
| Annual Remuneration                                                 | 469 818                      | 474 576                    |
| Performance Bonuses                                                 | 106 871                      | -                          |
| Car Allowance                                                       | 180 000                      | 89 522                     |
| Housing Allowance                                                   | 144 000                      | -                          |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 124 208                      | 91 395                     |
| <b>Total</b>                                                        | <hr/> <b>1 024 897</b> <hr/> | <hr/> <b>655 493</b> <hr/> |

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

EMPLOYEE RELATED COSTS CONTINUED

*Remuneration of the Director Community Services*

|                                                                     | 2014<br>R      | 2013<br>R      |
|---------------------------------------------------------------------|----------------|----------------|
| Annual Remuneration                                                 | 676 227        | 606 172        |
| Performance Bonuses                                                 | -              | -              |
| Car Allowance                                                       | 90 000         | 57 689         |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 131 864        | 105 954        |
| <b>Total</b>                                                        | <b>898 091</b> | <b>769 816</b> |

31 REMUNERATION OF COUNCILLORS

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Executive Mayor                        | 638 301          | 579 550          |
| Deputy Mayor                           | 519 208          | 453 252          |
| Speaker                                | 519 797          | 481 423          |
| Mayoral Committee Members              | 1 895 498        | 1 777 284        |
| Ordinary Councillors                   | 3 349 530        | 2 855 032        |
| Pension fund contributions             | 830 424          | 759 732          |
| Medical aid contributions              | 36 044           | 26 052           |
| <b>Total Councillors' Remuneration</b> | <b>7 788 802</b> | <b>6 932 325</b> |

*In-kind Benefits*

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.

32 DEBT IMPAIRMENT

|                                                     |                   |                   |
|-----------------------------------------------------|-------------------|-------------------|
| Long term Receivables - Note 6                      | 10 272            | 152 657           |
| Receivables from exchange transactions - Note 3     | 19 527 815        | 16 687 703        |
| Receivables from non-exchange transactions - Note 4 | 8 287 371         | 2 882 346         |
| <b>Total Contribution to Debt Impairment</b>        | <b>27 825 458</b> | <b>19 722 706</b> |

33 DEPRECIATION AND AMORTISATION

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Property Plant and Equipment | 14 359 640        | 12 260 575        |
| Investment Property          | 294 871           | 288 292           |
| Intangible Assets            | 599 301           | 636 288           |
| Capitalised restoration cost | 914 917           | 810 522           |
| <b>Total</b>                 | <b>16 168 729</b> | <b>13 995 677</b> |

34 IMPAIRMENTS

|                            |                |                |
|----------------------------|----------------|----------------|
| Property Plant & Equipment | 278 483        | 449 054        |
|                            | <b>278 483</b> | <b>449 054</b> |

35 FINANCE CHARGES

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Long-term Liabilities                | 4 777 684         | 5 636 698         |
| Ex-Gratia Pension                    | 35 000            | 20 559            |
| Bank Overdraft                       | -                 | 7                 |
| Post Employment Health Care Benefits | 4 304 000         | 4 559 400         |
| Long service awards                  | 377 000           | 126 572           |
| Capitalised restoration cost         | 1 178 308         | 975 998           |
| Other                                | -                 | -                 |
| <b>Total finance charges</b>         | <b>10 671 992</b> | <b>11 319 234</b> |

36 BULK PURCHASES

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Electricity                 | 125 406 539        | 118 180 997        |
| <b>Total Bulk Purchases</b> | <b>125 406 539</b> | <b>118 180 997</b> |

37 GRANTS AND SUBSIDIES

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Sport                             | -              | 36 700         |
| Council                           | 219 218        | 147 210        |
| Tourism                           | 592 990        | 583 452        |
| <b>Total Grants and Subsidies</b> | <b>812 208</b> | <b>767 362</b> |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| <b>38</b>   | <b>GENERAL EXPENSES</b>                                                        | <b>2014</b>       | <b>2013</b>        |
|-------------|--------------------------------------------------------------------------------|-------------------|--------------------|
|             |                                                                                | <b>R</b>          | <b>R</b>           |
|             | Audit Fees                                                                     | 2 515 121         | 3 191 390          |
|             | Bank Charges                                                                   | 234 739           | 379 118            |
|             | Cellphone                                                                      | 384 042           | 442 711            |
|             | Chemicals                                                                      | 903 317           | 935 426            |
|             | Communication & Events                                                         | 358 506           | 287 065            |
|             | Commission                                                                     | 1 459 675         | 1 234 273          |
|             | Consultant Fees                                                                | 165 508           | 72 429             |
|             | Developing Projects                                                            | 233 219           | 166 489            |
|             | Entertainment                                                                  | 431 586           | 495 206            |
|             | Escom Electricity                                                              | 1 482 817         | 962 093            |
|             | Expenditure against Public Donations                                           | 297 015           | 270 021            |
|             | Indigent costs                                                                 | 43 519            | 454 068            |
|             | Insurance                                                                      | 1 015 095         | 840 544            |
|             | Investigations                                                                 | 287 036           | 434 628            |
|             | Koekedouw                                                                      | -                 | 75 407             |
|             | Membership Fees                                                                | 938 251           | 807 523            |
|             | Printing and Stationary                                                        | 1 853 654         | 1 931 583          |
|             | Projects                                                                       | 453 148           | 376 706            |
|             | Protective Clothing                                                            | 618 927           | 529 734            |
|             | Professional Fees                                                              | 201 699           | 698 200            |
|             | Refuse bags                                                                    | 1 510 530         | 1 118 835          |
|             | Rental of Offices                                                              | 461 714           | 438 930            |
|             | Sewerage analysis                                                              | 536 392           | 593 493            |
|             | Strategic Partnerships                                                         | 334 239           | 278 368            |
|             | Telephone and Postage                                                          | 1 938 257         | 1 694 113          |
|             | Training                                                                       | 945 679           | 910 038            |
|             | Travel and Accommodation                                                       | 1 307 921         | 1 224 832          |
|             | TV Transponder                                                                 | 51 475            | 157 208            |
|             | Valuation Costs                                                                | 392 809           | 1 055 685          |
|             | Vehicle Fleet Costs                                                            | 5 594 649         | 5 501 315          |
|             | Veterinary Expenses                                                            | 250 000           | 313 769            |
|             | Ward Committee Allowance                                                       | 749 257           | 541 000            |
|             | Wards                                                                          | 197 661           | 280 088            |
|             | Water levies                                                                   | 251 949           | 490 618            |
|             | Other                                                                          | 3 285 667         | 2 867 407          |
|             | <b>General Expenses</b>                                                        | <b>31 685 073</b> | <b>32 050 313</b>  |
| <b>39</b>   | <b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>                                  |                   |                    |
| <b>39.1</b> | <b>Property, Plant and Equipment</b>                                           |                   |                    |
|             | Balance previously reported                                                    |                   | <b>554 871 877</b> |
|             | Capital expenditure on roads not recognised - Note 39.2 & Note 39.3            |                   | 249 194            |
|             | Reversal of creditor raised for contributions to pension funds - Note 39.5     |                   | (50)               |
|             | <b>Balance now reported</b>                                                    |                   | <b>555 121 021</b> |
| <b>39.2</b> | <b>VAT Receivable (net)</b>                                                    |                   |                    |
|             | Balance previously reported                                                    |                   | <b>2 352 049</b>   |
|             | Capital expenditure on roads not recognised - Note 39.1 & Note 39.3            |                   | 34 887             |
|             | Recognition of previous years expenditure and creditor - Note 39.3 & Note 39.6 |                   | 7 357              |
|             | <b>Balance now reported</b>                                                    |                   | <b>2 394 294</b>   |
| <b>39.3</b> | <b>Payables from exchange transactions</b>                                     |                   |                    |
|             | Balance previously reported                                                    |                   | <b>45 403 643</b>  |
|             | Capital expenditure on roads not recognised - Note 39.1 & Note 39.2            |                   | 284 081            |
|             | Reversal of creditor raised for contributions to pension funds - Note 39.4     |                   | (626 741)          |
|             | Recognition of previous years expenditure and creditor - Note 39.2 & Note 39.6 |                   | 65 670             |
|             | <b>Balance now reported</b>                                                    |                   | <b>45 126 654</b>  |
| <b>39.4</b> | <b>Accumulated Surplus</b>                                                     |                   |                    |
|             | Balance previously reported                                                    |                   | <b>417 428 262</b> |
|             | Reversal of creditor raised for contributions to pension funds - Note 39.3     |                   | 626 741            |
|             | <b>Balance now reported</b>                                                    |                   | <b>418 055 003</b> |
| <b>39.5</b> | <b>Inventory</b>                                                               |                   |                    |
|             | Balance previously reported                                                    |                   | <b>5 386 185</b>   |
|             | Reversal of creditor raised for contributions to pension funds - Note 39.3     |                   | 50                 |
|             | <b>Balance now reported</b>                                                    |                   | <b>5 386 235</b>   |
| <b>39.6</b> | <b>Net Surplus for the year</b>                                                |                   |                    |
|             | Balance previously reported                                                    |                   | <b>90 885 701</b>  |
|             | Recognition of previous years expenditure and creditor - Note 39.2 & Note 39.6 |                   | (58 313)           |
|             | <b>Balance now reported</b>                                                    |                   | <b>90 827 388</b>  |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|                                                                                                   | <b>2014<br/>R</b>   | <b>2013<br/>R</b>   |
|---------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>40 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY</b>                   |                     |                     |
| Surplus/(Deficit) for the year                                                                    | 63 022 161          | 90 827 388          |
| <b><u>Adjustments for:</u></b>                                                                    |                     |                     |
| Depreciation                                                                                      | 15 569 429          | 13 359 389          |
| Amortisation of Intangible Assets                                                                 | 599 301             | 636 288             |
| Gain on disposal of property, plant and equipment                                                 | -                   | (2 500)             |
| Loss on disposal of property, plant and equipment                                                 | 749 801             | -                   |
| Gain on Adjustment of Provision                                                                   | -                   | (598 555)           |
| Unamortised Discount on Loans                                                                     | 1 698 432           | 1 821 294           |
| Debt Impairment                                                                                   | 27 815 186          | 19 570 049          |
| Debt Impairment - Long term receivables                                                           | 10 272              | 152 657             |
| Stock Adjustments                                                                                 | (98 526)            | (1 728)             |
| Contribution from/to provisions                                                                   | 1 178 308           | 975 998             |
| Contribution from/to employee benefits                                                            | 5 835 033           | 6 743 234           |
| Actuarial Gain                                                                                    | (1 491 766)         | (6 138 104)         |
| Impairment written off                                                                            | 278 483             | 449 054             |
| Operating lease income accrued                                                                    | 2 601               | 3 947               |
| Operating Surplus/(Deficit) before changes in working capital                                     | 115 168 715         | 127 798 411         |
| Changes in working capital                                                                        | (46 064 142)        | (34 061 150)        |
| Increase/(Decrease) in Trade and Other Payables                                                   | (7 786 191)         | 6 503 019           |
| Increase/(Decrease) in Unspent Conditional Government Grants and Receipts                         | (5 267 842)         | (6 592 465)         |
| Increase/(Decrease) in Unspent Public Contributions                                               | 394 796             | (74 977)            |
| Increase/(Decrease) in Taxes                                                                      | (1 645 024)         | (825 106)           |
| (Increase)/Decrease in Inventory                                                                  | (2 534 715)         | 16 681              |
| (Increase)/Decrease in Trade and other receivables                                                | (35 644 379)        | (23 010 135)        |
| (Increase)/Decrease in Unpaid Conditional Government Grants and Receipts                          | 6 419 213           | (10 078 167)        |
| <b>Cash generated/(absorbed) by operations</b>                                                    | <b>69 104 573</b>   | <b>93 737 261</b>   |
| <b>41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>                               |                     |                     |
| Cash and Cash Equivalents - Note 2                                                                | 33 062 878          | 30 853 257          |
| Investments - Note 10                                                                             | 105 062             | 105 062             |
| Less:                                                                                             | 33 167 940          | 30 958 319          |
|                                                                                                   | 1 277 509           | 6 545 351           |
| Unspent Committed Conditional Grants - Note 7                                                     | 1 277 509           | 6 545 351           |
| <b>Resources available for working capital requirements</b>                                       | <b>31 890 431</b>   | <b>24 412 968</b>   |
| <b>Allocated to:</b>                                                                              |                     |                     |
| Capital Replacement Reserve                                                                       | 9 218 922           | 8 565 886           |
| Employee Benefits Reserve                                                                         | 74 023 380          | 69 680 114          |
| Non-Current Provisions Reserve                                                                    | 8 484 964           | 16 774 617          |
| <b>Shortfall in working capital requirements</b>                                                  | <b>(59 836 835)</b> | <b>(70 607 649)</b> |
| <b>42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>                                     |                     |                     |
| Long-term Liabilities - Note 22                                                                   | 37 316 866          | 44 898 668          |
| Used to finance property, plant and equipment - at cost                                           | (37 316 866)        | (44 898 668)        |
| Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. |                     |                     |



**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

|                                                                                                             |                                                                              |                                         |              |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------|--------------|
| 43                                                                                                          | BUDGET COMPARISONS                                                           | 2014<br>R                               | 2013<br>R    |
| Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance |                                                                              |                                         |              |
| Net surplus/deficit per the statement of financial performance                                              |                                                                              | 63 022 161                              |              |
| Adjusted for:                                                                                               |                                                                              |                                         |              |
| Fair value adjustments                                                                                      | a)                                                                           | 1 491 766                               |              |
| Depreciation and Amortisation recognised / reversed                                                         | b)                                                                           | (5 285 638)                             |              |
| Increases in debt impairment                                                                                | c)                                                                           | (76 385)                                |              |
| Employee related cost                                                                                       | d)                                                                           | (3 612 269)                             |              |
| Finance Charges                                                                                             | e)                                                                           | (1 272 170)                             |              |
| Bulk Purchases                                                                                              | f)                                                                           | (1 102 677)                             |              |
| Operating Grant Expenditure                                                                                 | g)                                                                           | (467 826)                               |              |
| Other Expenditure                                                                                           | h)                                                                           | (11 136 172)                            |              |
| Rates & Service Charges                                                                                     | i)                                                                           | 8 655 148                               |              |
| Grants & Donations                                                                                          | j)                                                                           | 2 602 587                               |              |
| Other Income                                                                                                | k)                                                                           | (3 689 644)                             |              |
| Net surplus/deficit per approved budget                                                                     |                                                                              | 49 146 769                              |              |
| a)                                                                                                          | Actuarial gains on Employee Benefits                                         |                                         |              |
| b)                                                                                                          | Depreciation less than expected due to slow capital spending                 |                                         |              |
| c)                                                                                                          | Collection ratio less than expected.                                         |                                         |              |
| d)                                                                                                          | Employee cost less than budget due to vacancies not filled timeously         |                                         |              |
| e)                                                                                                          | Loans redeemed                                                               |                                         |              |
| f)                                                                                                          | Bulk purchases less than expected.                                           |                                         |              |
| g)                                                                                                          | Unforeseen delays in housing delivery                                        |                                         |              |
| h)                                                                                                          | Other expenditure less than expected.                                        |                                         |              |
| i)                                                                                                          | Property rates increase due to the inclusion of the District Management Area |                                         |              |
| j)                                                                                                          | Improved spending of Grants received.                                        |                                         |              |
| k)                                                                                                          | More interest earned than expected.                                          |                                         |              |
| Please refer to the statement of comparison of budget and actual amounts for more information               |                                                                              |                                         |              |
| 44                                                                                                          | UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED       |                                         |              |
| 44.1                                                                                                        | Unauthorised expenditure                                                     |                                         |              |
| Reconciliation of unauthorised expenditure:                                                                 |                                                                              |                                         |              |
| Opening balance                                                                                             |                                                                              | -                                       |              |
| Unauthorised expenditure current year - operating                                                           |                                                                              | -                                       | 20 307 803   |
| Condoned by council                                                                                         |                                                                              | -                                       | (20 307 803) |
| Unauthorised expenditure awaiting authorisation                                                             |                                                                              | -                                       | -            |
| Unauthorised expenditure on operating votes are due to:                                                     |                                                                              |                                         |              |
| - Unforeseen actuarial losses on employee benefits,                                                         |                                                                              |                                         |              |
| - Unexpected increase in bulk purchases from Eskom,                                                         |                                                                              |                                         |              |
| - Debt impairment of old housing loans.                                                                     |                                                                              |                                         |              |
| Unauthorised expenditure on capital votes are due to:                                                       |                                                                              |                                         |              |
| - Over expenditure on the upgrading of the Kluitjieskraal houses.                                           |                                                                              |                                         |              |
| 44.2                                                                                                        | Irregular expenditure                                                        |                                         |              |
| Reconciliation of irregular expenditure:                                                                    |                                                                              |                                         |              |
| Opening balance                                                                                             |                                                                              | 430 556                                 |              |
| Irregular expenditure current year                                                                          |                                                                              |                                         | 430 556      |
| Ratified by Accounting Officer                                                                              |                                                                              | (430 556)                               | -            |
| Irregular expenditure awaiting further action                                                               |                                                                              | -                                       | 430 556      |
| Incident                                                                                                    |                                                                              | Disciplinary steps/criminal proceedings |              |
| Non-compliance with the supply chain management regulations.                                                |                                                                              | Investigated report to Council          |              |
|                                                                                                             |                                                                              | -                                       | 430 556      |
|                                                                                                             |                                                                              | -                                       | 430 556      |

The Municipal Manager has ratified the minor breaches of the supply chain management regulations in terms of section 36 (1) (b) of the mentioned regulations.

Please refer to Note 45.7 for more information.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| <b>44.3 Material Losses</b>                                                                                                                                                 | <b>2014</b>       | <b>2013</b>        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|
| <b>Water distribution losses</b>                                                                                                                                            |                   |                    |
| - Kilolitres purified                                                                                                                                                       | 6 938 436         | 6 786 705          |
| - Kilolitres sold                                                                                                                                                           | 5 059 681         | 5 330 908          |
| - Kilolitres lost during distribution                                                                                                                                       | 1 878 755         | 1 455 797          |
| - Percentage lost during distribution                                                                                                                                       | 27.08%            | 21.45%             |
| - Value of kilolitres lost during distribution                                                                                                                              | 1 028 474         | 765 011            |
| - The value of kilolitres lost is based on the treatment cost of water.                                                                                                     |                   |                    |
| <b>Electricity distribution losses</b>                                                                                                                                      |                   |                    |
| - Units purchased (Kwh)                                                                                                                                                     | 189 335 853       | 193 057 642        |
| - Units sold (Kwh)                                                                                                                                                          | 171 433 978       | 176 902 110        |
| - Units lost during distribution (Kwh)                                                                                                                                      | 17 901 875        | 16 155 532         |
| - Percentage lost during distribution                                                                                                                                       | 9.46%             | 8.37%              |
| - Value of units lost during distribution (Kwh)                                                                                                                             | 11 857 301        | 9 889 673          |
| <b>45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>                                                                                               |                   |                    |
| <b>45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>                                                                           |                   |                    |
| Opening balance                                                                                                                                                             | -                 | -                  |
| Council subscriptions                                                                                                                                                       | 931 180           | 801 114            |
| Amount paid - current year                                                                                                                                                  | (931 180)         | (801 114)          |
| <b>Balance unpaid (included in Payables from exchange transactions)</b>                                                                                                     | <b>-</b>          | <b>-</b>           |
| <b>45.2 Audit fees - [MFMA 125 (1)(c)]</b>                                                                                                                                  |                   |                    |
| Opening balance                                                                                                                                                             | -                 | 416 828            |
| Current year audit fee                                                                                                                                                      | 2 655 975         | 3 408 526          |
| External Audit - Auditor-General                                                                                                                                            | 2 515 121         | 3 191 390          |
| Internal Audit                                                                                                                                                              | (5 986)           | 157 765            |
| Audit Committee                                                                                                                                                             | 146 840           | 59 371             |
| Amount paid - current year                                                                                                                                                  | 2 655 975         | 3 408 526          |
| Amount paid - previous year                                                                                                                                                 | -                 | 416 828            |
| <b>Balance unpaid (included in Payables from exchange transactions)</b>                                                                                                     | <b>-</b>          | <b>-</b>           |
| <b>45.3 VAT - [MFMA 125 (1)(c)]</b>                                                                                                                                         | <b>2014<br/>R</b> | <b>2013<br/>R</b>  |
| Opening balance                                                                                                                                                             | (1 997 217)       | (988 597)          |
| Amounts received - Output VAT - current year                                                                                                                                | (30 650 202)      | (38 931 399)       |
| Amounts claimed - Input VAT - current year                                                                                                                                  | 31 444 000        | 34 129 406         |
| Amount paid - current year                                                                                                                                                  | 1 592 477         | 2 804 777          |
| Amount paid - previous year                                                                                                                                                 | 1 997 217         | 988 597            |
| <b>Closing balance</b>                                                                                                                                                      | <b>2 386 275</b>  | <b>(1 997 217)</b> |
| Vat in suspense due to cash basis of accounting                                                                                                                             |                   |                    |
| Input VAT                                                                                                                                                                   | 4 585 102         | 4 436 794          |
| Output VAT                                                                                                                                                                  | (545 785)         | (2 042 501)        |
| Receivable                                                                                                                                                                  | 4 039 317         | 2 394 293          |
| VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. |                   |                    |
| <b>45.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>                                                                                                                           |                   |                    |
| Opening balance                                                                                                                                                             | -                 | -                  |
| Current year payroll deductions and Council Contributions                                                                                                                   | 12 810 858        | 11 167 854         |
| Amount paid - current year                                                                                                                                                  | (12 810 858)      | (11 167 854)       |
| <b>Balance unpaid (included in Payables from exchange transactions)</b>                                                                                                     | <b>-</b>          | <b>-</b>           |
| <b>45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>                                                                                                          |                   |                    |
| Opening balance                                                                                                                                                             | -                 | -                  |
| Current year payroll deductions and Council Contributions                                                                                                                   | 25 920 005        | 25 239 230         |
| Amount paid - current year                                                                                                                                                  | (25 920 005)      | (25 239 230)       |
| <b>Balance unpaid (included in Payables from exchange transactions)</b>                                                                                                     | <b>-</b>          | <b>-</b>           |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2014

|                                                  | <b>Outstanding<br/>more than 90<br/>days</b> | <b>Outstanding<br/>more than 90<br/>days</b> |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Mouton, JS                                       | -                                            | 1 888                                        |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>-</b>                                     | <b>1 888</b>                                 |

During the year the following Councillors had arrear accounts outstanding for more than 90 days

|                 | <b>Highest Amount<br/>Outstanding</b> | <b>Highest Amount<br/>Outstanding</b> |
|-----------------|---------------------------------------|---------------------------------------|
| Godden, TT&C    | -                                     | 738                                   |
| Heradien, P     | -                                     | 763                                   |
| Mouton, JS      | -                                     | 3 618                                 |
| Phungula, SL&JT | -                                     | 3 221                                 |
| Veschini, JA    | -                                     | 2 363                                 |
|                 | <b>-</b>                              | <b>10 703</b>                         |

**45.7 Disclosers in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

**Regulation 36 (2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1) (a)**

|           |                   | <b><u>Type of deviation</u></b> |                   |                    |                  |
|-----------|-------------------|---------------------------------|-------------------|--------------------|------------------|
|           | <b>Amount</b>     | <b>Single Supplier</b>          | <b>Impossible</b> | <b>Impractical</b> | <b>Emergency</b> |
| July      | 753 028           | 30                              | -                 | 16                 | 12               |
| August    | 955 723           | 31                              | -                 | 18                 | 18               |
| September | 608 355           | 32                              | -                 | 18                 | 16               |
| October   | 747 004           | 22                              | -                 | 47                 | 11               |
| November  | 640 467           | 13                              | -                 | 20                 | 12               |
| December  | 490 101           | 10                              | -                 | 18                 | 9                |
| January   | 419 346           | 15                              | -                 | 12                 | 19               |
| February  | 1 431 660         | 14                              | -                 | 21                 | 17               |
| March     | 1 010 869         | 14                              | -                 | 21                 | 10               |
| April     | 1 271 651         | 17                              | -                 | 24                 | 5                |
| May       | 247 123           | 2                               | -                 | 21                 | 17               |
| June      | 1 432 005         | 10                              | -                 | 30                 | 22               |
|           | <b>10 007 334</b> | <b>210</b>                      | <b>-</b>          | <b>266</b>         | <b>168</b>       |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT CONTINUE**

**Regulation 45 - Details of awards made to close family members of persons in service of State**

| Name of supplier     | Member of company who has relationship with person in the service of the state | Relationship to person in the service of the state | Name of person in the service of the state | Employer and capacity of person in service of the state   | Value of transactions |
|----------------------|--------------------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------|-----------------------------------------------------------|-----------------------|
| Williams Loodgieters | SR Williams                                                                    | Husband                                            | R Williams                                 | Dept. of Health: Nurse                                    | R 325 561.00          |
| L & E Blinds         | AHE de Jongh                                                                   | Husband                                            | E de Jongh                                 | Dept. Correctional services: Correctional officer         | R 7 147.00            |
| Queen's Cake         | M Zimri                                                                        | Wife                                               | JJ Zimri                                   | Department of Correctional Services; Correctional officer | R 170 855.00          |
|                      |                                                                                | Mother                                             | MM Zimri                                   | Witzenberg Municipality: Supervisor meter readers         |                       |
| Ivan A Pharo         | I Pharo                                                                        | Husband                                            | D Pharo                                    | WCED: Teacher                                             | R 121 605.00          |
| Well Earned Trading  | J Schuurman                                                                    | Husband                                            | R Schuurman                                | WCED: Teacher                                             | R 2 500.00            |
| Vox Elektries        | F Blom                                                                         | Husband                                            | M Blom                                     | SAPS: Officer                                             | R 215 040.00          |

46

**COMMITMENTS**

**2014  
R**

**2013  
R**

**Commitments in respect of expenditure:**

Approved and contracted for.

Infrastructure  
Community  
Other Capital  
Operational

|            |            |
|------------|------------|
| 35 485 602 | 33 220 633 |
| 10 667 392 | 19 418 693 |
| 8 555 278  | 5 246 303  |
| 23 748     | 934 017    |
| 16 239 184 | 7 621 621  |

Approved but not yet contracted for

Community  
Operational

|   |           |
|---|-----------|
| - | 3 014 375 |
| - | 2 236 884 |
| - | 777 491   |

**Total**

|                   |                   |
|-------------------|-------------------|
| <b>35 485 602</b> | <b>36 235 008</b> |
|-------------------|-------------------|

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47

## FINANCIAL RISK MANAGEMENT

2014  
R2013  
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

|                                 |         |          |
|---------------------------------|---------|----------|
| 1% Increase in interest rates   | (4 199) | (44 652) |
| 0.5% Decrease in interest rates | 4 199   | 44 652   |

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 3 and 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 3 for balances included in receivables that were re-negotiated for the period under review.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**FINANCIAL RISK MANAGEMENT CONTINUED**

**Balances past due not impaired:**

|                                 | <b>2014<br/>%</b> | <b>2014<br/>R</b> | <b>2013<br/>%</b> | <b>2013<br/>R</b> |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Long Term Receivables</u>    |                   |                   |                   |                   |
| Rates & other                   | 32.47%            | 114 767           | 50.62%            | 200 525           |
|                                 |                   |                   |                   |                   |
| <u>Non-Exchange Receivables</u> |                   |                   |                   |                   |
| Rates & other charges           | 22.04%            | 5 905 223         | 24.83%            | 4 159 921         |
|                                 |                   |                   |                   |                   |
| <u>Exchange Receivables</u>     |                   |                   |                   |                   |
| Electricity                     | 80.98%            | 24 941 013        | 82.72%            | 23 438 637        |
| Water                           | 16.49%            | 9 192 454         | 12.56%            | 4 994 940         |
| Housing Rentals                 | 4.17%             | 85 117            | 5.80%             | 100 542           |
| Refuse                          | 9.01%             | 2 606 228         | 9.09%             | 2 107 193         |
| Sewerage                        | 11.33%            | 2 633 515         | 13.95%            | 2 714 503         |
| Other                           | 13.37%            | 264 984           | 23.59%            | 447 816           |
|                                 | 27.83%            | 39 723 311        | 29.55%            | 33 803 631        |

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

**The provision for bad debts could be allocated between the different classes of debtors as follows**

|                                 | <b>2014<br/>%</b> | <b>2014<br/>R</b> | <b>2013<br/>%</b> | <b>2013<br/>R</b> |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Long Term Receivables</u>    |                   |                   |                   |                   |
| Rates & other                   | 0.14%             | 178 723           | 0.18%             | 168 450           |
|                                 |                   |                   |                   |                   |
| <u>Non-Exchange Receivables</u> |                   |                   |                   |                   |
| Rates & other                   | 16.83%            | 20 882 096        | 13.49%            | 12 594 725        |
|                                 |                   |                   |                   |                   |
| <u>Exchange Receivables</u>     |                   |                   |                   |                   |
| Electricity                     | 4.72%             | 5 856 706         | 5.25%             | 4 895 591         |
| Water                           | 37.52%            | 46 545 818        | 37.26%            | 34 775 556        |
| Housing Rentals                 | 1.58%             | 1 957 295         | 1.75%             | 1 631 486         |
| Refuse                          | 21.20%            | 26 304 072        | 22.59%            | 21 081 565        |
| Sewerage                        | 16.61%            | 20 608 452        | 17.93%            | 16 739 407        |
| Other                           | 1.38%             | 1 717 628         | 1.55%             | 1 450 309         |
|                                 | 83.02%            | 102 989 971       | 86%               | 80 573 914        |

**The provision for bad debts could be allocated between the different categories of debtors as follows**

|             | <b>2014<br/>%</b> | <b>2014<br/>R</b> | <b>2013<br/>%</b> | <b>2013<br/>R</b> |
|-------------|-------------------|-------------------|-------------------|-------------------|
| Residential | 83.23%            | 103 247 043       | 86.14%            | 80 404 824        |
| Commercial  | 0.00%             | 4                 | 0.00%             | -                 |
| Business    | 7.79%             | 9 660 018         | 8.71%             | 8 126 636         |
| Government  | 0.80%             | 992 907           | 0.58%             | 544 199           |
| Other       | 8.18%             | 10 150 819        | 4.44%             | 4 141 295         |
|             | 100.00%           | 124 050 790       | 99.87%            | 93 337 089        |

**FINANCIAL RISK MANAGEMENT CONTINUED**

**Bad debts written off per debtor class:**

|                                 | <b>2014<br/>%</b> | <b>2014<br/>R</b> | <b>2013<br/>%</b> | <b>2013<br/>R</b> |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Long Term Receivables</u>    |                   |                   |                   |                   |
| Rates & other                   | 0.00%             | -                 | 0.00%             | -                 |
|                                 |                   |                   |                   |                   |
| <u>Non-Exchange Receivables</u> |                   |                   |                   |                   |
| Rates                           | 0.00%             | -                 | 97.83%            | 145 177           |
|                                 |                   |                   |                   |                   |
| <u>Exchange Receivables</u>     |                   |                   |                   |                   |
| Electricity                     | 21.58%            | 1 867             | 0.54%             | 797               |
| Water                           | 39.06%            | 3 379             | 0.75%             | 1 119             |
| Housing Rentals                 | 1.43%             | 124               | 0.03%             | 49                |
| Refuse                          | 20.26%            | 1 753             | 0.44%             | 652               |
| Sewerage                        | 16.29%            | 1 409             | 0.37%             | 547               |
| Other                           | 1.39%             | 120               | 0.04%             | 53                |
|                                 | 100.00%           | 8 652             | 2.17%             | 3 218             |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**FINANCIAL RISK MANAGEMENT CONTINUED**

**2014  
R**

**2013  
R**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows

|                                            |                   |                   |
|--------------------------------------------|-------------------|-------------------|
| Long term receivables                      | 174 698           | 227 666           |
| Receivables from exchange transactions     | 39 723 311        | 33 639 420        |
| Receivables from non-exchange transactions | 8 365 091         | 1 778 704         |
| Cash and Cash Equivalents                  | 33 062 878        | 30 853 256        |
| Non-Current Investments                    | 105 062           | 105 062           |
| Unpaid conditional grants and subsidies    | 9 258 887         | 15 678 100        |
|                                            | <u>90 689 927</u> | <u>82 282 208</u> |

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                                                    | <b>Less than 1<br/>year</b> | <b>Between 1 and 5<br/>years</b> | <b>Between 5 and<br/>10 years</b> | <b>Over 10 Years</b> |
|----------------------------------------------------|-----------------------------|----------------------------------|-----------------------------------|----------------------|
| <b>2014</b>                                        |                             |                                  |                                   |                      |
| Long Term liabilities                              | 12 222 609                  | 30 844 208                       | 5 554 809                         | -                    |
| Capital repayments                                 | 8 046 353                   | 24 148 824                       | 4 824 037                         | -                    |
| Interest                                           | 4 176 256                   | 6 695 384                        | 730 772                           | -                    |
| Trade and Other Payables                           | 35 854 689                  | -                                | -                                 | -                    |
| Unspent conditional government grants and receipts | 1 277 509                   | -                                | -                                 | -                    |
| Cash and Cash Equivalents                          | <u>49 354 807</u>           | <u>30 844 208</u>                | <u>5 554 809</u>                  | <u>-</u>             |
|                                                    | <b>Less than 1<br/>year</b> | <b>Between 1 and 5<br/>years</b> | <b>Between 5 and<br/>10 years</b> | <b>Over 10 Years</b> |
| <b>2013</b>                                        |                             |                                  |                                   |                      |
| Long Term liabilities                              | 12 414 777                  | 40 203 694                       | 8 390 315                         | -                    |
| Capital repayments                                 | 7 320 766                   | 29 888 116                       | 7 279 148                         | -                    |
| Interest                                           | 5 094 011                   | 10 315 578                       | 1 111 167                         | -                    |
| Trade and Other Payables                           | 38 560 458                  | -                                | -                                 | -                    |
| Unspent conditional government grants and receipts | 13 137 816                  | -                                | -                                 | -                    |
| Cash and Cash Equivalents                          | <u>64 113 051</u>           | <u>40 203 694</u>                | <u>8 390 315</u>                  | <u>-</u>             |

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

| 48          | <b>FINANCIAL INSTRUMENTS</b>                                                                         | <b>2014<br/>R</b> | <b>2013<br/>R</b> |
|-------------|------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|             | In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows |                   |                   |
|             | The fair value of financial instruments approximates the amortised costs as reflected below          |                   |                   |
| <b>48.1</b> | <b><u>Financial Assets</u></b>                                                                       |                   |                   |
|             | <b><u>Classification</u></b>                                                                         |                   |                   |
|             | <b>Long-term Receivables</b>                                                                         |                   |                   |
|             | Officials Housing Loans                                                                              | 282 988           | 313 895           |
|             | Rates (Re-negotiated terms)                                                                          | 44 363            | 58 355            |
|             | Councillor Allowances                                                                                | 31 126            | 31 126            |
|             | <b>Receivables</b>                                                                                   |                   |                   |
|             | Receivables from exchange transactions                                                               | 39 723 311        | 33 639 420        |
|             | Receivables from non-exchange transactions                                                           | 8 365 091         | 1 778 704         |
|             | <b>Other Receivables</b>                                                                             |                   |                   |
|             | Government Subsidies and Grants                                                                      | 9 258 887         | 15 678 100        |
|             | <b>Current Portion of Long-term Receivables</b>                                                      |                   |                   |
|             | Officials Housing Loans                                                                              | 21 331            | 20 096            |
|             | Sport Club Loans                                                                                     | 7 474             |                   |
|             | <b>Short-term Investment Deposits</b>                                                                |                   |                   |
|             | Call Deposits                                                                                        | -                 | 21 913 574        |
|             | <b>Bank Balances and Cash</b>                                                                        |                   |                   |
|             | Bank Balances                                                                                        | 33 054 452        | 8 931 456         |
|             | Cash Floats and Advances                                                                             | 8 426             | 8 227             |
|             |                                                                                                      | <b>90 797 449</b> | <b>82 372 953</b> |
|             | <b>SUMMARY OF FINANCIAL ASSETS</b>                                                                   |                   |                   |
|             | Financial instruments at amortised cost                                                              | 90 797 449        | 82 372 953        |
|             | <b>At amortised cost</b>                                                                             | <b>90 797 449</b> | <b>82 372 953</b> |
| <b>48.2</b> | <b><u>Financial Liability</u></b>                                                                    |                   |                   |
|             | <b><u>Classification</u></b>                                                                         |                   |                   |
|             | <b>Long-term Liabilities</b>                                                                         |                   |                   |
|             | Annuity Loans                                                                                        | 45 065 568        | 51 697 497        |
|             | Capitalised Lease Liability                                                                          | 541 761           | 746 223           |
|             | <b>Payables from exchange transactions</b>                                                           |                   |                   |
|             | Trade creditors                                                                                      | 24 444 818        | 34 340 588        |
|             | Arrear portion of long term liabilities                                                              |                   |                   |
|             | Retentions                                                                                           | 4 581 862         | 3 638 724         |
|             | Deposits                                                                                             | 640 981           | 640 981           |
|             | Other                                                                                                | 6 187 028         | 5 533 022         |
|             | <b>Other Payables</b>                                                                                |                   |                   |
|             | Government Subsidies and Grants                                                                      | 1 277 509         | 6 545 351         |
|             | <b>Current Portion of Long-term Liabilities</b>                                                      |                   |                   |
|             | Annuity Loans                                                                                        | (8 046 353)       | (7 320 766)       |
|             | Capitalised Lease Liability                                                                          | (244 110)         | (224 286)         |
|             |                                                                                                      | <b>74 449 064</b> | <b>95 597 334</b> |
|             | <b>SUMMARY OF FINANCIAL LIABILITY</b>                                                                |                   |                   |
|             | Financial instruments at amortised cost                                                              | <b>74 449 064</b> | <b>95 597 334</b> |
| <b>49</b>   | <b>IN-KIND DONATIONS AND ASSISTANCE</b>                                                              |                   |                   |
|             | Fire Truck donated by Cape Winelands District Municipality                                           | 847 479           |                   |



# WITZENBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 50 PRIVATE PUBLIC PARTNERSHIPS

2014  
R

2013  
R

Council has not entered into any private public partnerships during the financial year.

### 51 CONTINGENT LIABILITY

Claims against Council

3 955 192

8 118 660

Estimate legal Fees

240 666

230 023

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are narratives of the cases:

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                  |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| GP Bezuidenhout                     | Mr Gert Bezuidenhout has issued a summons out of the High Court against the Municipal Manager and Witzenberg Municipality for damages. Mr Bezuidenhout's claim is based on the premise that the Municipal Manager made an affidavit in the labour matter instituted by Mr Bezuidenhout that he was found guilty of fraud whilst he was found guilty of a lesser dishonest offence.                        | 844 349          | 844 349          |
| IMATU on behalve of GP Bezuidenhout | This is an application for review of a SALGBC ruling in which the Commissioner found the Bargaining Council does not have jurisdiction to hear Mr Bezuidenhout's dispute about an alleged occupational detriment as it relates to an alleged protected disclosure and the Labour Court has exclusive jurisdiction. The Applicant asks the court to order the Bargaining Council to arbitrate the dispute. | 40 000           | 40 000           |
| F Daniels / SALGBC & two others     | The applicant was the former Manager of Traffic. He was dismissed after an internal disciplinary hearing on 21/09/2009, where after he unsuccessfully appealed internally against the sanction of dismissal. Management is of opinion that the risk of the municipality being ordered to pay Mr Daniel's legal fees is slim.                                                                              |                  | 196 944          |
| WB Koeries/SALGBC & two others      | The applicant was employed in the traffic department. He was dismissed after an internal disciplinary hearing and is attempting to get an arbitration award against the municipality.                                                                                                                                                                                                                     | 299 000          |                  |
| Ceres Inn                           | Ceres Inn alleged that they delivered a service to Witzenberg Municipality by providing lunch/dinner to a former Mayor. Management denies this allegation until proof can be provided in the form of an order number, which must be issued beforehand according to our supply chain policies.                                                                                                             | 823              | 823              |
| Benjamin Weitz                      | A minor was electrocuted at an electrical installation situated near a public park. The premises are fenced but Mr Weitz alleged that the security measures of the municipality are insufficient. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.                                                               | 1 210 000        | 1 210 000        |
| L Louw                              | A child was molested at the Pine Forest. The claimant alleged that the security measures at the Pine Forest were not sufficient to protect the child. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.                                                                                                           | 1 427 600        | 1 427 600        |
| SALGA versus municipal trade unions | The trade unions alleged that the wage curve as implemented by municipalities on advice of SALGA is not in terms of the agreement reached. The matter is currently disputed in the labour appeal court.                                                                                                                                                                                                   |                  | 4 398 944        |
| Telemaster LTD                      | Telemaster LTD alleged that the municipality terminate the contract unilaterally. The municipality is of opinion that the termination of the contract was within the provisions of the contract.                                                                                                                                                                                                          | 133 420          |                  |
|                                     |                                                                                                                                                                                                                                                                                                                                                                                                           | <b>3 955 192</b> | <b>8 118 660</b> |

### 52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### 52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

#### 52.2 Compensation of key management personnel

The compensation of key management personnel is set out in Note 30 to the Annual Financial Statements

#### 52.3 Other related party transactions

No purchases were made during the year where Councillors or staff have an interest

**APPENDIX A - Unaudited**  
**WITZENBERG MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

| EXTERNAL LOANS                 | Rate   | Loan Number  | Redeemable | Balance at 30 JUNE 2013 | Balance at 30 JUNE 2013 Restated | Received during the period | Redeemed / written off during the period | Balance at 30 JUNE 2014 |
|--------------------------------|--------|--------------|------------|-------------------------|----------------------------------|----------------------------|------------------------------------------|-------------------------|
| <b>ANNUITY LOANS</b>           |        |              |            |                         |                                  |                            |                                          |                         |
| ABSA                           | 10.21% | 90-9200-8204 | 2015/12/30 | 29 473                  | 29 473                           |                            | 11 043                                   | 18 430                  |
| ABSA                           | 10.21% | 20-9200-9990 | 2015/12/30 | 50 395                  | 50 395                           |                            | 18 884                                   | 31 511                  |
| ABSA                           | 10.21% | 0-9205-8859  | 2015/12/30 | 13 842                  | 13 842                           |                            | 5 188                                    | 8 654                   |
| NED BANK                       | 8.00%  | 5032172 0001 | 2013/05/30 | -                       | -                                |                            | -                                        | 0                       |
| NED BANK                       | 8.00%  | 5032156 0001 | 2015/05/30 | 470 110                 | 470 110                          |                            | 226 209                                  | 243 901                 |
| NED BANK                       | 8.00%  | 5032113 0001 | 2018/05/30 | 998 222                 | 998 222                          |                            | 176 540                                  | 821 682                 |
| NED BANK                       | 8.00%  | 5032032 0001 | 2023/05/30 | 8 700 391               | 8 700 391                        |                            | 645 281                                  | 8 055 110               |
| CERES GOLF CLUB                | 18.00% | 49           | 2018/06/30 | 29 271                  | 29 271                           |                            | 4 027                                    | 25 244                  |
| DBSA                           | 12.00% | 10478/102    | 2017/09/30 | 1 993 953               | 1 993 953                        |                            | 489 248                                  | 1 504 705               |
| DBSA                           | 12.00% | 10525/104    | 2017/03/31 | 21 216 964              | 21 216 964                       |                            | 4 319 978                                | 16 896 986              |
| DBSA                           | 15.25% | 11188/101    | 2018/09/30 | 6 649 655               | 6 649 655                        |                            | 846 142                                  | 5 803 513               |
| DBSA                           | 15.50% | 10772/101    | 2018/09/30 | 1 507 127               | 1 507 127                        |                            | 190 618                                  | 1 316 509               |
| DBSA                           | 9.50%  | 102040/1     | 2021/09/30 | 253 288                 | 253 288                          |                            | 20 514                                   | 232 774                 |
| DBSA                           | 9.49%  | 102040/2     | 2013/09/30 | 154 204                 | 154 204                          |                            | 154 204                                  | 0                       |
| DBSA                           | 14.35% | 12978/101    | 2013/12/31 | 24 974                  | 24 974                           |                            | 24 974                                   | 0                       |
| DBSA                           | 10.75% | 13161/101    | 2014/12/31 | 6 311                   | 6 311                            |                            | 4 096                                    | 2 215                   |
| DBSA                           | 15.25% | 13164/101    | 2014/12/31 | 4 004                   | 4 004                            |                            | 2 570                                    | 1 434                   |
| DBSA                           | 8.59%  | 100605/1     | 2023/06/30 | 2 274 548               | 2 274 548                        |                            | 218 001                                  | 2 056 547               |
| <b>Total Annuity Loans</b>     |        |              |            | <b>44 376 731</b>       | <b>44 376 731</b>                | <b>-</b>                   | <b>7 357 517</b>                         | <b>37 019 214</b>       |
| <b>LEASE LIABILITY</b>         |        |              |            |                         |                                  |                            |                                          |                         |
| Office Equipment               |        | Various      | 2012/02/29 | 521 937                 | 521 937                          | -                          | 224 286                                  | 297 651                 |
| <b>Total Lease Liabilities</b> |        |              |            | <b>521 937</b>          | <b>521 937</b>                   | <b>-</b>                   | <b>224 286</b>                           | <b>297 651</b>          |
| <b>TOTAL EXTERNAL LOANS</b>    |        |              |            | <b>44 898 668</b>       | <b>44 898 668</b>                | <b>-</b>                   | <b>7 581 803</b>                         | <b>37 316 865</b>       |

**APPENDIX B - Unaudited**  
**WITZENBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**MUNICIPAL VOTES CLASSIFICATION**

| <b>2013<br/>Actual<br/>Income<br/>R</b> | <b>2013<br/>Actual<br/>Expenditure<br/>R</b> | <b>2013<br/>Surplus/<br/>(Deficit)<br/>R</b> |                             | <b>2014<br/>Actual<br/>Income<br/>R</b> | <b>2014<br/>Actual<br/>Expenditure<br/>R</b> | <b>2014<br/>Surplus/<br/>(Deficit)<br/>R</b> |
|-----------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------|-----------------------------------------|----------------------------------------------|----------------------------------------------|
| 58 247 727                              | (29 081 295)                                 | 29 166 432                                   | Budget & Treasury Office    | 59 522 836                              | (28 024 496)                                 | 31 498 339                                   |
| 116 991 745                             | (67 959 521)                                 | 49 032 224                                   | Civil Services              | 97 114 431                              | (76 412 064)                                 | 20 702 368                                   |
| 49 903 460                              | (16 347 405)                                 | 33 556 055                                   | Community & Social Services | 59 250 489                              | (15 931 001)                                 | 43 319 488                                   |
| 8 068 845                               | (23 403 213)                                 | (15 334 368)                                 | Corporate Services          | 2 371 890                               | (27 249 830)                                 | (24 877 940)                                 |
| 148 004 166                             | (138 124 026)                                | 9 880 141                                    | Electro Technical Services  | 158 939 705                             | (145 912 556)                                | 13 027 150                                   |
| 2 861 387                               | (18 263 008)                                 | (15 401 621)                                 | Executive & Council         | 3 309 306                               | (21 660 071)                                 | (18 350 765)                                 |
| 12 110 141                              | (14 311 929)                                 | (2 201 788)                                  | Housing                     | 27 198 735                              | (29 694 159)                                 | (2 495 424)                                  |
| 2 220 397                               | (3 992 548)                                  | (1 772 151)                                  | Planning                    | 1 010 598                               | (4 364 035)                                  | (3 353 436)                                  |
| 3 895 071                               | (8 069 100)                                  | (4 174 029)                                  | Public Safety               | 11 683 944                              | (14 967 089)                                 | (3 283 145)                                  |
| 25 271 371                              | (16 232 189)                                 | 9 039 183                                    | Sport & Recreation          | 24 456 314                              | (16 594 948)                                 | 7 861 366                                    |
| 427 574 311                             | (335 784 234)                                | 91 790 077                                   | <b>Total</b>                | 444 858 248                             | (380 810 248)                                | 64 048 001                                   |

**APPENDIX C - Unaudited  
WITZENBERG MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

| <b>2013<br/>Actual<br/>Income<br/>R</b> | <b>2013<br/>Actual<br/>Expenditure<br/>R</b> | <b>2013<br/>Surplus/<br/>(Deficit)<br/>R</b> |                               | <b>2014<br/>Actual<br/>Income<br/>R</b> | <b>2014<br/>Actual<br/>Expenditure<br/>R</b> | <b>2014<br/>Surplus/<br/>(Deficit)<br/>R</b> |
|-----------------------------------------|----------------------------------------------|----------------------------------------------|-------------------------------|-----------------------------------------|----------------------------------------------|----------------------------------------------|
| 2 861 387                               | (16 687 374)                                 | (13 825 987)                                 | Executive and Council         | 3 309 306                               | (19 965 982)                                 | (16 656 676)                                 |
| 58 247 727                              | (29 081 295)                                 | 29 166 432                                   | Budget and Treasury Office    | 59 522 836                              | (28 024 496)                                 | 31 498 339                                   |
| 8 068 845                               | (25 375 075)                                 | (17 306 230)                                 | Corporate Services            | 2 371 890                               | (29 178 125)                                 | (26 806 235)                                 |
| 2 313 337                               | (6 573 815)                                  | (4 260 478)                                  | Planning and Development      | 1 010 598                               | (6 918 219)                                  | (5 907 620)                                  |
| 49 555 222                              | (13 571 782)                                 | 35 983 441                                   | Community and Social Services | 58 004 644                              | (12 539 688)                                 | 45 464 955                                   |
| 12 110 141                              | (14 311 929)                                 | (2 201 788)                                  | Housing                       | 27 198 735                              | (29 694 159)                                 | (2 495 424)                                  |
| 755 134                                 | (6 004 247)                                  | (5 249 114)                                  | Public Safety                 | 8 260 172                               | (12 730 815)                                 | (4 470 643)                                  |
| 25 271 371                              | (16 232 189)                                 | 9 039 183                                    | Sport and Recreation          | 24 456 314                              | (16 594 948)                                 | 7 861 366                                    |
| 255 297                                 | (967 288)                                    | (711 991)                                    | Environmental Protection      | 1 245 845                               | (1 818 445)                                  | (572 599)                                    |
| 17 407 817                              | (22 070 580)                                 | (4 662 763)                                  | Waste Management              | 18 749 086                              | (25 235 437)                                 | (6 486 351)                                  |
| 37 545 926                              | (20 406 969)                                 | 17 138 957                                   | Waste Water Management        | 31 699 660                              | (22 815 259)                                 | 8 884 401                                    |
| 10 635 605                              | (10 829 913)                                 | (194 308)                                    | Road Transport                | 5 781 603                               | (12 644 527)                                 | (6 862 924)                                  |
| 54 542 334                              | (16 716 911)                                 | 37 825 423                                   | Water                         | 44 307 856                              | (17 953 114)                                 | 26 354 741                                   |
| 148 004 166                             | (136 954 866)                                | 11 049 301                                   | Electricity                   | 158 939 705                             | (144 697 034)                                | 14 242 671                                   |
| -                                       | -                                            | -                                            | Other                         | -                                       | -                                            | -                                            |
| 427 574 311                             | (335 784 234)                                | 91 790 077                                   | <b>Total</b>                  | 444 858 248                             | (380 810 248)                                | 64 048 001                                   |
|                                         |                                              |                                              |                               |                                         |                                              |                                              |

**APPENDIX D - Unaudited**  
**WITZENBERG MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| UNSPENT AND UNPAID<br>GOVERNMENT GRANTS AND RECEIPTS | Balance<br>1 JULY 2013 | Grants<br>Received | Grants Capital<br>Received | Write Offs /<br>Transfers | Operating<br>expenditure during<br>the year<br>Transferred to<br>revenue | Capital<br>expenditure<br>during the year<br>Transferred to<br>revenue | Balance<br>30 JUNE 2014 | Unspent<br>2014<br>(Payable) | Unpaid<br>2014<br>(Receivable) |
|------------------------------------------------------|------------------------|--------------------|----------------------------|---------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------|------------------------------|--------------------------------|
|                                                      | R                      | R                  | R                          | R                         | R                                                                        | R                                                                      | R                       | R                            | R                              |
| <b><u>National Government Grants</u></b>             |                        |                    |                            |                           |                                                                          |                                                                        |                         |                              |                                |
| Finance Management Grant                             | (60 285)               | 1 300 000          | -                          | -                         | (1 126 330)                                                              | (113 292)                                                              | 93                      | 93                           | -                              |
| DWAF - Drought relief                                | (3 570 734)            | -                  | -                          | -                         | (10 234)                                                                 | (73 097)                                                               | (3 654 065)             | -                            | 3 654 065                      |
| Municipal Systems Improvement Grant                  | -                      | 890 000            | 890 000                    | -                         | (296 989)                                                                | (591 856)                                                              | 1 155                   | 1 155                        | -                              |
| Municipal infrastructure Grant                       | (757 665)              | 21 020 000         | 21 020 000                 | -                         | (2 480 241)                                                              | (18 432 685)                                                           | (650 590)               | -                            | 650 590                        |
| Regional Bulk Infrastructure Grant (DWAF)            | (5 997 391)            | 7 771 309          | 7 771 309                  | -                         | (632 001)                                                                | (5 658 197)                                                            | (4 516 279)             | -                            | 4 516 279                      |
| Housing - Kluitjieskraal                             | (85 704)               | -                  | -                          | -                         | -                                                                        | -                                                                      | (85 704)                | -                            | 85 704                         |
| Integrated National Electricity Program              | (970 041)              | 3 000 000          | 3 000 000                  | -                         | -                                                                        | (2 000 000)                                                            | 29 959                  | 29 959                       | -                              |
| Equitable share                                      | -                      | 48 119 000         | -                          | 1 434 000                 | (49 553 000)                                                             | -                                                                      | -                       | -                            | -                              |
| Department of Rural Development                      | (4 025 711)            | 11 016 948         | 11 016 948                 | -                         | (646 336)                                                                | (6 461 217)                                                            | (116 316)               | -                            | 116 316                        |
| ACIP funds (DWAF)                                    | -                      | -                  | -                          | -                         | -                                                                        | -                                                                      | -                       | -                            | -                              |
| Expanded Public Works Programme                      | (109 570)              | 1 000 000          | -                          | -                         | (956 793)                                                                | -                                                                      | (66 363)                | -                            | 66 363                         |
| Neighbourhood Development Plan                       | 1 434 321              | -                  | -                          | (1 434 000)               | -                                                                        | -                                                                      | 321                     | 321                          | -                              |
| <b><u>Provincial Government Grants</u></b>           |                        |                    |                            |                           |                                                                          |                                                                        |                         |                              |                                |
| Library services                                     | 367 885                | 3 981 000          | 3 231 000                  | -                         | (920 802)                                                                | (3 499 821)                                                            | (71 739)                | -                            | 71 739                         |
| Library services Replacement Funding                 | -                      | 5 022 000          | 5 022 000                  | -                         | (5 048 830)                                                              | -                                                                      | (26 830)                | -                            | 26 830                         |
| CDW                                                  | 177 606                | 131 200            | -                          | -                         | (79 099)                                                                 | (8 162)                                                                | 221 545                 | 221 545                      | -                              |
| Main roads                                           | (101 000)              | 101 000            | -                          | -                         | (71 000)                                                                 | -                                                                      | (71 000)                | -                            | 71 000                         |
| Compliance Assist                                    | -                      | 51 120             | -                          | -                         | (51 120)                                                                 | -                                                                      | -                       | -                            | -                              |
| State Funeral                                        | -                      | 100 000            | -                          | -                         | (100 000)                                                                | -                                                                      | -                       | -                            | -                              |
| Housing                                              | 4 565 539              | 34 589 068         | 26 188 189                 | -                         | (27 132 065)                                                             | (11 298 107)                                                           | 724 436                 | 724 436                      | -                              |
| Financial Management Training                        | -                      | 300 000            | -                          | -                         | -                                                                        | -                                                                      | 300 000                 | 300 000                      | -                              |
|                                                      | -                      | -                  | -                          | -                         | -                                                                        | -                                                                      | -                       | -                            | -                              |
| <b>Total</b>                                         | <b>(9 132 749)</b>     | <b>138 392 645</b> | <b>78 139 446</b>          | <b>-</b>                  | <b>(89 104 840)</b>                                                      | <b>(48 136 433)</b>                                                    | <b>(7 981 377)</b>      | <b>1 277 510</b>             | <b>9 258 887</b>               |